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THE MONETARY SITUATION

AN ADDRESS

DELIVERED BY REQUEST OF THE

AMERICAN SOCIAL SCIENCE ASSOCIATION

AT ITS MEETING IN

CINCINNATI, MAY 21, 1878

BY

S. DANA HORTON

Author of "Silver and Gold and their Relation to the Problem of Resumption."

WITH

AN APPENDIX

CONTAINING EXTRACTS FROM THE FOLLOWING PAPERS BY THE SAME AUTHOR:

THE PRUSSIAN ANTI-SILVER THEORY, AND ITS ORIGIN IN AN HISTORICAL ERROR.
GENERAL RESTORATION OF SILVER A CONDITION PRECEDENT TO SUCCESSFUL CANCELLATION OF PAPER MONEY.
A VINDICATION OF THE PRACTICABILITY OF BI-METALLIC UNION.

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INTRODUCTORY.

We live under the reign of the Triple Standard. Although we rejoice in profound peace, unbroken for thirteen years, Paper Money, once regarded as justifiable only on the ground of war, is now quietly issued as unlimited Legal Tender in large amounts, but not in excess of a certain aggregate sum.

Gold is complete Legal Tender, and alone is freely coinable. Silver is coinable by and for the Government alone, and in amount limited by statute. Part of the Silver currency is professedly a Token currency; part of it consists of Full Legal Tender Tokens (the Silver Dollar of 412½ gr.), all of the Silver coins being issued at a nominal value far above the market value of the Silver they contain.

The national stock of Metallic Money consists chiefly of Gold, and equals in amount about two-thirds of the existing Legal Tender Paper.

With few exceptions all obligations in the United States are payable in either of these materials, at the option of the payer.

The issue of non-Legal Tender Bank Notes, secured by deposit of National Bonds, about equals in amount the outstanding Legal Tender Paper.

Such is the present situation. What shall we say of the future?

In asking the question our aim is, of course, to divine how the Monetary Situation may be improved.

In my endeavor to convey to you the results of my study in this field, it will conduce to clearness if I first direct your attention to certain general truths which throw light upon the whole subject.

NOTE.—In printing this paper I have availed myself of the latitude allowed by the officers of the Social Science Association, and have made the statement more full than it was possible to do in the limits of the time allotted for its oral delivery.

1. *The Incompleteness of Monetary Science.*

Monetary Science is not complete; it is natural not only that old errors, but that new truths should, from time to time, be discovered.

The prominence I give to this general truth needs explanation. It is so obvious, so self-evident, that human science must be incomplete, that an assertion of the incompleteness of Monetary Science may seem superfluous.

Unfortunately it is not superfluous.

When science becomes politics, the scientific calmness of mind is wont to disappear.

The discoverer of new truths or of old errors is liable to an accusation of heresy; and when opposed to heretics the orthodox have always assumed infallibility.

Hence it is peculiarly salutary in surveying the Monetary Situation to keep the above truth in view.

I add, therefore, that the laws of economy are an explanation rather than a command—an inference from the nature of man and the world; as physical laws are an inference from the facts of nature.

The careful observer finds that the facts seem to group themselves upon a certain plan. What is that plan? he asks. When he answers the question he has discovered the law. From Newton to Adam Smith the method is the same.

But a Newton does not exhaust nature, nor does an Adam Smith exhaust Political Economy.

New orders of facts arise, and a new generation of thinkers observe and record them, and study them, in relation to the older science.

The new results modify the older and enlarge the stock. Hasty generalizations of former thinkers are shorn of their excrescence of error, and the logical structure of the subject reveals itself more and more to seeing eyes.

2. *The Importance of the Subject, "Money."*

A second point is the importance of the subject of Money, both in the field of economic science and as an object of national policy.

I assure you it is not with hackneyed expressions, as that Money is a "great subject," etc., that the extent of this truth is to be seized.

The Literature of Money, so far as I know it, has not contained an adequate estimate, analysis, or classification of the subject.

Money is, therefore, a department of economic science in which

this necessity of growth of which we have been speaking is peculiarly manifest.

Without attempting an exhaustive statement, let me simply remind you that life, liberty, and happiness are the things for which we chiefly care; that of our caring for these things, labor and property are the concrete outcome; and that we chiefly have to do with labor and property as seen through the medium of Money.

The round world and they that dwell therein are appraised for taxation; both the lives of men and the surface of the earth figure in business calculations as investments; in every obligation, in every investment the past and the future meet each other; from the cradle to the grave debit and credit are the air that is breathed by civilized man.

Money is not merely what the traditional classification of Statutes or of Treatises represents it to be.

In characterizing Money as Man's universal Instrument of Valuation, his infallible Means of Payment of obligations, his secure Means of Purchase, his safest Means of Transporting Value in Space, and of Preserving Value in Time, I have sought to call attention to fields of investigation which must be fruitful in new truths.

Money is a condition precedent of civil society, a factor of civilization, of progress.

A wise ordering of the world's money is, therefore, one of the greatest objects that can engage the attention of mankind.

And yet what position has the question assumed in the eyes of Governments? In all countries the official classification puts Coinage on a par with Weights and Measures, and by official custom the Mint-master is the arbiter of Monetary Policy.

Now, a metallurgist may be a statesman—fortunate the country that possesses such—but if he be competent to direct monetary policy, it is as a statesman, not as a metallurgist. Merely as a metallurgist, by virtue of his office exclusively, he is no more competent to direct monetary policy than is Krupp, the cannon founder, competent to overrule the strategy of Von Moltke.

3. *That Money is an Institution not of one Nation, but of the World.*

A third great truth is that Money is an institution in which mankind are stockholders, and which is managed by the world.

However individual nations may attempt to make their portion of it local, national, independent, this airy subject defies their control.

The error which this truth seeks to banish is tersely held to view in the question, "What have we to do with abroad?" which a few months ago was re-echoed in monetary debate from the St. Lawrence to the Rio Grande.

I do not know who first asked the question; it is indifferent; but the idea infects the entire body of monetary history.

As used here a few months ago the question was repeated in derision, primarily as a reproach to those who advocated free coinage (on private account for any one who chose to bring Silver to the Mint) of the Silver Dollar of 412½ grains, while Silver was being demonetized in Europe, and who seemed to believe that the small demand of one nation for Silver could outbid the great supply of many nations and of the mines, and control its price.

It was the "Silver Man's" form of belief in the omnipotence of legislation, or, to borrow an expression peculiarly apt, it was his form of allegiance to "Fiat" Money.

It is sufficiently obvious that the objection is not that he had faith in a fiat, but that the fiat was not strong enough. But although the reproach primarily attached to the "Silver Man," his adversary, the "Gold Man" (who called his brother a swindler), was at the same time cherishing a kindred error. There was the "fiat" of Germany establishing a Gold Standard, and depending for the expense of the change on the sale of German Silver. It was a truculent statute that wrought the change, miscalled reform, of the German coinage, and Germany, possibly not unconscious of the "five milliards," proudly inquired, "What have we to do with abroad?" The Latin Union limited the coinage of Silver; the Thalers are still in circulation: the German Treasury has made a cruel deficit in its coinage experiment, and what of the productive industry of Germany?

Four years of "hard times," which German thinkers are obliged to admit was at least in part the price of reform.

Evidently the "Gold Man" of Germany believed to a certain extent in "Fiat Money," but unfortunately his fiat was not strong enough.

So again the fiat of the United States that in the year 1879 it would cancel its Greenbacks and replace them with Gold.

Two years ago, and since, when I essayed to show that under existing legislation in Europe, and demand for, and supply of, Gold, this was impracticable, and hence that to persist in this course was simply to drive us to defeat upon the breakers of Paper Money,

excellent gentlemen to whom the country looked for science and for statesmanship stood firmly by their faith and their fiat.

Independent of novel truths and of foreign influences, their attitude is epitomized in the question, "What have we to do with abroad?"

The sequel we know. Since the Resumption Law was passed all the Greenbacks that have been retired do not exceed in amount the Silver Tokens now in circulation, and the prospect is that for every Greenback destroyed, Silver will be put in its place; while the threat of free coinage of the "Dollar of the Fathers," without the concurrence of Europe, promises to cause the export of our national stock of Gold. And in the mean time the sails of our ship of state are set for the tropic seas of "Peace Greenbacks" and "Permanent Legal Tender Currency."

Has the argument I addressed to these gentlemen been justified by the event?

I made it because I saw and respected the truth, which I am now seeking to illustrate.

Two years ago it was not difficult to cry *Fiat justitia, ruat cœlum,* in advocacy of the replacement of Greenbacks with Gold, in 1879. But what can be said now that the heavens have fallen and justice has not been done?

How many Greenbacks are to be canceled before 1880? Is there even any guaranty of the par of our Paper with Gold in 1880, beyond the hope that Silver may be restored to free coinage in Europe?

The future of Resumption in America depends upon the monetary legislation of Europe, as well as of America.

In a word, Money is an institution of the world, and not merely of a single nation.

4. *That Nations can make mistakes.*

A fourth truth is, that nations can make mistakes as well as men.

It may seem uncalled for to hang up as a beacon light a truth so obvious as this—but, as I shall show, it is not unnecessary.

Simply stating therefore that fallible man does not become infallible by organizing himself into a corporation, I call you to witness that the Battlefield of the Standards is dominated by the assumption that a great nation can not make a blunder.

Why did Germany demonetize Silver?

Does any one suppose she would have demonetized if England had not demonetized Silver before?

What is the real backbone of argument for the Gold-Standard and Demonetization in the United States, but that Germany demonetized Silver, England demonetized Silver, neither is likely to be wrong, both of them can not be wrong.

It is but fair to myself to add that I do not say it is as easy to prove that a nation has made a mistake as that an individual was in error. At the same time I also observe that the policy of a nation usually makes its first appearance as the idea of an individual. In a word, as our great moralist has said, "an institution is but the lengthened shadow of a man."

5. *The True Test of Public Measures.*

A fifth truth is, that public measures must be judged in reference to their legitimate objects, and to results that show themselves within a reasonable time. The real question is, does this measure, to use the language of business, pay interest on the original investment?

For illustration, let us consider the policy of neglecting to protect the timber in our western territories from pillage.

Stolen timber may be transported and stored where a detachment of troops in stress of weather are obliged to winter, and then may save their lives. Does this justify the policy of permitting pillage? Evidently not.

So to a German a supposed military advantage given to his country, by the possession of a great stock of Gold, may outweigh many disadvantages suffered by the body of the people by reason of the exclusion of Silver.

So to an Englishman the exclusion of Silver from the privilege of paying debts in England may, while it is a disadvantage to others, serve the interests of a class which in his view is peculiarly deserving of the favors of discriminating legislation. But what science asks is an analysis of the total effect of the institution without discoloration from such local preferences. We ask the facts first, and will then judge of their relative importance.

As to the "results that show themselves within a reasonable time," we observe that the founding of an institution and the continuance of it after it is founded are different and disparate. A great building built as a hotel, after bankrupting several proprietors, and being sold at sheriff's sale, is altered and repaired for use as a woolen mill. Does the success of the woolen mill justify the policy of building that hotel? Plainly it does not.

So in adducing the Gold Standard of England as a reason for its

adoption in another country, nothing is gained, much is lost, for truth, in confusing its present working with its working at the time it was founded.

The one is the experience of a generation that inherited the Gold Standard, the other is the experience of a generation that demonetized Silver.

The real question is not, then, "how has England fared since 1830?" It is, "how did England fare between 1798 and 1830?" You can not prove the advisability of building a fine hotel by showing that England is succeeding with the woolen mill.

In a subsequent portion of this address I shall show how potent this argument from woolen mill to hotel has been in monetary literature.

More than this—worse than this—I shall show that the bankruptcy of the original builders was unknown.

PART I.—Our Monetary Past.

And now, in the light of these five truths which I have sought to make clear to you, let us briefly characterize that monetary past of which the present monetary situation is the outcome.

In 1862–3 the American Union made its renowned movement in what, for the moment, I may call practical demonetization. It made its own notes of hand into Lawful Money.

Before that day, in set terms, and with malice, although with little forethought, England had demonetized Silver, Holland had demonetized Gold. It was reserved for the United States to surpass them both in monetary achievement, by unconsciously demonetizing both Silver and Gold. These European powers demonetized each a metal. America demonetized specie. This feat was not accomplished by formally excluding these honorable metals from her borders, but by making it profitable for them to migrate. They remained full Legal Tender, and freely coinable. A small amount was also retained to pay customs-dues and interest on the public debt; for then the Paper was not made Legal Tender. Moreover, it was promised that the Paper Money should become not only convertible into specie on demand, but should be canceled, and should abandon to the rightful owners the place it had usurped. Gold and Silver remained therefore a part of the "Standard," and, although absent

in the body, conspicuous not only by their absence, but by the promise of their return within a reasonable time.

Gentlemen, I ask you, was it wise; was it necessary, for the United States to replace Specie with Paper; to export the one and retain the other as its Lawful Money and Legal Tender?

You will observe I do not ask whether the issue of Legal Tender Paper was not justified as a war measure. Nor do I approach the subject from the side of the construer of the Constitution, and inquire whether this was one of those mistakes in policy which were prohibited by our organic law. Nor, again, do I ask whether the replacement of sectional State Bank-Notes by Notes of the Nation was desirable to consolidate the North as the abolition of sectional issues of Silver Coin in the German Union was a few years later held necessary for the consolidation of the German Empire. All this is interesting, but it is not the question.

The question is, was it wise, was it necessary, to make such an issue of Paper as should drive Specie out of the country? Was it wise, was it necessary, to substitute a fluctuating and depreciating Money for the stablest Money known, and to induce an inflation of prices? Was it wise, was it necessary, for the nation in discounting Paper to pay for cannon to induce the export of Specie to pay for crinoline; to use its credit in such a way as to cripple its credit, and by reason of the necessity of borrowing a few millions without interest to be compelled to borrow many millions at a discount of fifty per cent.?

Was not this a simple failure of statesmanship in men supposed to be statesmen? Did it not reveal absence of comprehensive knowledge and of trained intellect? Would Alexander Hamilton have landed the country in such breakers of discount and dislocation of business as formed the climax to this monetary achievement of the civil war?

It is bitter, but it is salutary to ask these questions.

Nay, let us not hesitate to learn the whole lesson. Would the methods of Leon Say in directing the financial policy of France when she raised—not abroad, but at home—and paid, not at home, but abroad—paid without discount, in Silver and Gold, or values at par with them—a thousand million dollars—would such methods, I say, have protected us against the supposed necessity of replacing Metallic with Paper Money?

The answer is obvious.

It is imperative that we admit that the country was the victim of a great mistake.

And this is the monetary ground we have crossed in reaching our present monetary situation.

THE ATTITUDE OF THE UNITED STATES IN THE PRESENCE OF EUROPEAN DEMONETIZATION OF SILVER.

But when peace succeeded civil war, when a monetary calm succeeded the storm, how did American statesmen meet the demands of the time?

To what combination of events are we, after thirteen years of peace, indebted for the presence and for the present attitude of the Triple Standard?

The question is full of suggestion. It can at least be said in our excuse that there is something peculiar and unprecedented in the events of these late years. These years are the most eventful years which the monetary history of Europe and Asia, as well as of America, has to record. There is more food for monetary science in them—these years from 1867 to 1878—than in all we know of many centuries of earlier experience. These years have witnessed the growth and partial success of a movement to degrade one of the historic money-metals to the rank of mere merchandise. The marriage of the metals, which the History of Mankind has ratified, has been brought in danger of divorce. The monetary map of the world has been remodeled on a grand scale.

In the midst of this monetary earthquake, how have American statesmen guarded the interests of their country? Have they shown themselves masters of this new occasion?

Let us consider what this movement meant to the United States.

The general adoption of the Gold Standard in Europe implied the demonetization of a thousand million dollars worth of Silver, and the withdrawal of a large proportion of existing annual demand for Silver; the depreciation of this metal; its loss of fixity of relation to Gold; and of stability of power to purchase other commodities. It implied a proportionate, or nearly proportionate, increase of the demand for Gold.

It will be remembered that our Paper Money was to be redeemed in a "reasonable time." Did any one realize, in 1867, that what would be reasonable time, as matters stood, would come to be regarded as unreasonable if this European "corner in Gold" maintained itself? Did those who desired a gradual return to Specie Payment realize that in the degradation of Silver, "Specie" was practically slipping away from them?

True, it was prophesied then, as it is sometimes prophesied now,

that the Gold product was on the increase, and hence that demonetized Silver might be replaced with new Gold. But practical men do not build their houses on quicksands of prophecy if they can help it; and it was always true, then as now, that the amount of Paper to be replaced by Gold, supposing the United States to replace Paper with Gold, was greater than any ten years' surplus of new Gold from the mines which any one was justified in prophesying.

WHAT EUROPEAN DEMONETIZATION MEANT TO THE UNITED STATES.

What then, I repeat, did this movement mean?

It meant, in 1867, for the future, a large part of what the world has witnessed since.

It meant a check of industry, enforced idleness, a discouragement of enterprise, a check of exchange, a disorganization of investments and business, depreciation of property, much bankruptcy, and repudiation.

It will, of course, be asked, why did it mean this? Why should not man continue in that course of producing and exchanging wealth, and of inventing or creating new modes of production and of exchange which is called prosperity?

Let me suggest the answer to this by asking another question.

Why is confidence the life of business? Why is capital timid? Why is a stable money better than a fluctuating money?

All will agree that confidence *is* the life of business, that capital *is* timid, and all will easily recognize that a stable money *is* better than a fluctuating money. Why is this?

The cause is, of course, to be found in the nature of the creature whom we are discussing—in the nature of man who engages in business—of man, who creates and controls capital—of man, who uses money.

Evidently man is not a mere working engine, not a machine, a mere wealth-producing, wealth-exchanging automaton. He is a creature of hopes and fears, of limited knowledge of the world around him, uncertain of the future, dependent for his success in producing and exchanging wealth upon the co-operation of other creatures as unstable as himself.

The world of business is accordingly a complicated and delicate structure. Its parts are interdependent; they touch each other in a thousand ways; they reach each other in a thousand directions. They are inextricably bound together. Economically speaking, regarding man in his activity of producing and exchanging wealth, the world of business is one organism.

And flowing through the veins of contract, from one part to another, the money of the world is the circulation which keeps this vast organism in activity.

Artificially congeal a portion of that blood, will not the whole organism feel the shock? Can you freeze the life-blood of a part without affecting the whole?

To demonetize, as Silver was demonetized and remains to-day, and will remain, unless the Nations combine to receive it freely in their mints, is to congeal a portion of the blood of commerce.

There was so and so much Gold in the world, so and so much Silver; and the world was accustomed to use so and so much—in this way and in that. Germany calls a halt, and Europe, by demonetization or limitation of coinage, obeys. Henceforth one-half of the existing Money becomes ineligible for use in Europe. What little the Europeans can not sell they will use at home, but it is useless for one country in Europe to export silver to another, and useless to send it to Europe from other continents. The mints are shut, you can not pay your debts in Europe with fresh silver.

Evidently, the flow of the circulation of this great organism, the business of the world, suffered a check. Paralyzing the circulation of a part of the world's Money, it also unsettled the value of all the world's Money, and thus disturbed the foundations of property and introdnced a new and potent element of uncertainty into investments and obligations. It was natural that a shock like this should reveal itself in the familiar phenomena of Hard Times.

The readers of our newspapers—and as well, I dare say, the readers of the newspapers in Europe—are familiar with the idea that, "Times would be good enough if Congress would only stop tinkering the Currency." My meaning will, I hope, be transparent, when I explain in homely phrase that the Demonetization of Silver means a tinkering of the world's currency, not for a month or a year, but for many years to come.

THE LIMITS OF THE INJURIOUS EFFECT OF EUROPEAN DEMONETIZATION.

Of course, I do not mean that the Hard Times of the last five years are solely due to the Demonetization of Silver.

Business has everywhere its vicissitudes, and there is no panacea for foolish investment.

I mean merely that to other local and general causes of reaction from prosperity, this alteration of the life-blood of production and

exchange, which Demonetization in a majority of commercial states implies, came with all-embracing cumulative force.

It is true, the world had long been ripening for the panic of 1873. And each country, each branch of industry, of commerce, of finance, each department of the world's debits and credits, contributed its quota to this totality of unwholesome conditions.

But the depression of 1874, of 1875, of 1876, of 1877, of 1878, were they, respectively, natural, an inevitable product of the credit system? Were they out of reach of remedial agencies other than an impossible reconstruction of human nature, which would put an end to debt, and reduce every exchange, every payment, to "cash," and eliminate all calculation as to the future money value of property?

To my ears the very nature of man and of his Money say "no" to these questions.

It seems to me clear that a general cause reinforced all other local and general causes in crippling man's productive activity in the last five years.

That cause was the revolution in monetary demand for Silver and Gold inaugurated by Germany. Not only was this new cause singularly efficient, but it was removable, it was not a necessary product of human nature, but a chance growth of erroneous legislation.

Demonetization was a product of Statutes passed by the German Parliament. True, this cause was also itself an effect. These Statutes were passed in obedience to theories which were false. But there would have been no Demonetization if these Statutes had not been passed.

It is, of course, natural enough that these theories should remain in vigor in spite of the blows which have been given them. The issue is here. The question is one of science, as well as of vital interest in practice. If views I have set forth be correct, they must become a part of science.

The doctrines which I attack were "science" at the time Germany demonetized. Are they science now?

A year ago I learned from the courteous and dignified columns of the *London Saturday Review*, speaking in kindly criticism of a work of mine, that I "did not belong to the stricter school of economists," and that "my views were not altogether what European economists consider as sound." Is this still true? If it be so, I am all the more anxious that what I do say should not be misunderstood.

Should these words reach any member of the "stricter school of economists," I ask his attention to a disclaimer and an illustration.

First. In vindicating the existence of this cause of Hard Times, I disclaim opposition to other conspiring causes.

I repeat with emphasis: Business has its vicissitudes; there is no panacea for foolish investment.

I do not mean to disparage "over-production" in various directions, etc., the disorganization of industries consequent upon new inventions, etc.: all the local and general causes, which, for example, have lately been analyzed for Germany by Prof. Von Neumann-Spallart, and in this country by Hon. David A. Wells, the honored President of this Association.* They have their place. But they do not exclude the cause I vindicate.

Secondly. The following illustration will, I trust, make my ground clear:

Suppose the air deprived of part of its quota of oxygen. What is the result? General illness ensues; the symptoms of the sick are aggravated in this way, and in that. Many well people become ill, each with his own peculiar malady, according to his constitution.

Suppose, also, that the physicians are unaware of what has occurred.

They are called here and called there.

They give prescriptions.

For what?

What is it the physicians would prescribe for? Evidently they must attack the local symptoms.

They prescribe for the diseases of the various suffering individuals—for the blood, the lungs, the liver, etc.

Are they not right from this point of view?

Certainly!

And yet, after all, what would be the greatest stroke of the healing art? Evidently to restore the lost oxygen to the air from which these suffering patients derived their life.

Now, if the general Demonetization of Silver meant withdrawal of the quota of oxygen, it is plain that the concurrent Restoration of Silver, by a Union of Nations, means the restoration of the oxygen.

If the oxygen had not been withdrawn, the physicians would not have had as much to do.

* See also Mr. Edward Atkinson's article on "Industrial Reconstruction," in *The International Review* for July and August.

But faith in oxygen does not deny the usefulness of medical prescriptions. There will be work enough for the physician even if the whole race were to breathe pure air. And so in vindicating the importance of fresh air, I am not in rebellion against science.

THE SUBSEQUENT ATTITUDE OF THE UNITED STATES.

Returning now to our question we see that the evils of this disturbance of the world's circulation fell with greatly increased weight upon this country.

The West had been largely colonized on credit, and the South, with its millions of freedmen, demanded the application of capital in new fields as a condition of progress; and the enormous international indebtedness of the country, together with the very currency with which its people measured their investments and their obligations, was a promise to pay the metal which European legislation was making more dear.

In a word, to them, in addition to "Hard Times," the European Demonetization of Silver, if successful, meant the failure of payment of their Paper Money in specie at the time they had promised to pay it—meant the postponement of Monetary Reform.

Was this matter understood in 1867, when the Gold Movement took practical and positive shape at the Monetary Conference of Paris? Was it understood in 1871, when Germany ordained her Gold Coinage, or in 1873, when she decreed the Degradation of Silver, or in 1876 when the monetary world was shaken with a Silver Panic? Alas, it was not!

There are mistakes and mistakes—but for us in matters of material interest the monumental mistake of the century was our passive acquiescence in the Demonetization of Silver in Europe.*

The destinies of this country have been at stake all this time. Nations are liable to accident as well as individuals. Had there been less enforced bankruptcy, less enforced repudiation, less enforced idleness, in the years preceding 1876, in what temper would the people of this country have met the electoral contest in 1876? What would have been the occupation of Legislatures and Administration since then?

How much time have Americans wasted and worse than wasted in the last few years!

What shall we say of laws and ordinances and decisions looking toward repudiation, what of "tramps," what of the insane revolt of what calls itself "Labor" against what is called "Capital?"

Is human nature so far perfected that we could afford to assist Satan to "find some mischief still for idle hands to do?"

These questions are provocative of bitter answers.

The political influence of monetary policy is a fertile subject of meditation.

But, humiliating as it is, it is salutary for us to take to heart the fact that in a great crisis of our monetary history, there was no one at the helm, or near the helm, to save the ship of state from being stranded, as it has been.

Understand me, I do not offer to any European individual, or corporation, be it a society, a legislature, or a nation, the compliment—if such it be—of having foreseen, nor of having intended, such injury to the United States as I have outlined. The instruments of the destiny which punishes the folly of nations are usually blind. The danger of the United States was foreseen only by Bimetallist thinkers who endeavored to avert it. Nor do I think that any one has gained what the United States has lost. The inundation which blights my corn crop, does not carry to my neighbor the ears that should have ripened in my field.

But, finally, the facts of the situation forced the truths of the situation upon the notice of the American public.

The threat of Paper Inflation at the hands of one party, the embarrassments of Resumption at the hands of another, awoke the people to a sense of danger, and in 1876 the Silver Question became the standing order of the day.

WHAT MIGHT HAVE BEEN DONE.

But it will, of course, be asked: Could anything have been done to turn the tide of Demonetization in Europe?

Why not? The American Union has a great deal of power when it is willing to exercise it, and there was no good reason for its consenting to be cut because Germany wished to play with the edged tools of monetary legislation.

I can not too strongly emphasize the fact that the European Demonetization of Silver marks an entirely new stage in the history of the United States.

It was a blow that unhorsed the "Monroe doctrine." The rule of non-intervention by Europe in American affairs was set at defiance by an invasion which required to be met not on this side, but on the other side of the Atlantic, and to be met not by arms, but by diplomacy, backed by statesmanlike legislation. For the first time since the day when Lafayette landed on our shores, America was

in need of European alliance. Unfortunately, Washington, Franklin, Jefferson, as well as Hamilton, were dead.

But what could have been accomplished by diplomacy and statesmanlike legislation?

Let us see!

The professed object of the German monetary reform was monetary union; domestic union, to bind together the federated monarchies that formed the new empire; international union, to put the money metal of Germany into accord with that of the commercial States.

But the world's Money was not merely Gold; it is, and in any event, must long remain bi-metallic.

Prima facie the wise course for the interest of all concerned was to smooth away the existing causes of disturbance, to unify the patchwork of monetary systems, to bring the entire institution of the world's Money under harmonious guidance: in a word, to make at least the civilized nations bi-metallic at the same ratio. This would be merely doing for the commercial world what the internal coinage reform did for Germany.

Is it not more than probable, had the United States early taken advantage of its position to enforce these ideas, that the minority in 1871 of Germany would have become a majority, and the silver thaler would have remained freely coinable, full legal tender?

Failing this, can it be doubted that a counter-combination of nations could long ago have been formed to neutralize the effect of Germany's revolt against the basis of the world's investments and contracts?

When last I had the pleasure of being present at a meeting of this association, in September, 1876, it was to urge this policy that I took part in debate. I was then, so far as I knew, in a minority of one upon this subject.

I have been watchful of the changes of monetary opinion, but I have failed to see any reason to unsettle the confidence I then had in the practicability of enforcing this policy.

The principal obstacle was in Washington.

Would the United States come to understand its opportunity and use its power?

Would the country awake to the situation, and be aroused in time to strike the decisive blow and inaugurate a reform worthy to commence the second century of the Declaration of Independence?

The means of enforcing this policy for which I sought to find support were:

1. To stop the coinage of Silver entirely.

2. That the government should recognize that the cancellation of Greenbacks must wait upon the Remonetization of Silver in Europe.

3. The passage of a resolution of Congress which would practically bind Congress to restore Silver at such ratio as should be fixed upon as soon as a sufficient number of nations should agree to form a union for Bi-metallic Money.

4. And that the Executive, through its diplomatic agents, as well as—

5. By an International Conference, should bring the influence of the country to bear on the formation of such a union.

As to No. 1, the heroic remedy of stopping the coinage of Silver Tokens as well as abstaining from coining Silver Dollars, I will simply observe that this measure would have been a reminder to England and to Germany, not a whit more incisive than the occasion merited, of "what they had to do with abroad."

The price of Silver would have fallen far more than it has ever done, the exchanges of the two sections of the British-Indian Empire would have become more deranged than ever, and Germany would have found it impossible to sell Silver at anything like a "fair price." Under such circumstances, public opinion would rapidly be educated to accept the concurrent Restoration of Silver.

But of course it was difficult to attract the attention of those interested in coinage to a policy of *not coining for a purpose*, and of those interested in Silver to a policy of *rejecting Silver for a purpose*, even though the result would have been silver coinage unlimited.

For five years, ever since demonetization began, the monetary etary managers at Washington have been more or less serviceable to the monetary managers of Berlin.

And thanks to the subservient monetary attitude of this country, Germany has been enabled to dispose of two-thirds of her Silver at a fair price, and now finds herself in condition, if report be correct, to decline the invitation of the United States to an International Monetary Conference.

The nature of the 2d, 3d, 4th, and 5th points of this programme are sufficiently explained elsewhere. Of course this programme implied a clear comprehension of the situation on the part of both branches of the Government, and that the two should work in harmony—conditions not very easy to anticipate, especially in the midst of the distractions of a disputed succession.

In asserting this practicability of the United States' inducing Europe to restore Silver, it is of course but fair to myself to call attention at once to my conviction that the actions of European Legislatures about Silver had been guided by doctrines which were demonstrably erroneous.

In calling upon Europe to restore Silver, the United States would, therefore, be simply urging Europe *to serve the interests of Europe*—the European apprehension of which had been temporarily obscured by natural clouds of doctrine.

But the policy of the Bi-metallic Union was not understood.

The heat of the conflict—Silver against Gold, Gold against Silver, Paper against both—was unfavorable to careful study of the new order of monetary facts and of the new science which the time had produced, and this policy met the not unprecedented fate of the Golden Mean.

THE ALLISON BILL.

1876 and 1877 passed without positive monetary action,* until the policy of Bi-metallic Union, first foreshadowed in any State Paper, by the epoch-making Message of President Hayes, (December 1877), found its first expression in Law, in the "Allison Silver Bill"—for it is a misnomer to call it the "Bland Bill"—with its limitation of the threatened free coinage of Silver, and its measures to secure an International Union.

The Allison Bill is therefore the potent figure in the present monetary situation.

Does this delay of action on our part—five years have passed since Germany outlawed Silver—does the altered position of Germany, with its coinage revolution now, in 1878, almost completed—do these facts obscure the prospect of forming a counter-combination of States to make good the breach which Germany has opened? Can the opposition of the powerful body of distinguished men in other States, who have committed themselves against Silver, be overcome?

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* Negatively, a great victory was achieved for Bi-metallic Union in the defeat of the original Bland Bill. Free coinage of Silver, which was the aim of this bill, would naturally lead to the replacement of the existing stock of Gold in this country by Silver—a process which foreign mints would gladly have facilitated by coining Silver dollars for us. Having contributed our Gold, and relieved Europe of much Silver, we should have found public opinion and public convenience more opposed to the restoration of Silver to European Mints than can now be the case. A part of the argument on this subject, presented by the writer in an Address to Congress (December, 1876), is tersely suggested in a short extract from a controversial paper, given in Appendix C.

It must of course be recognized as an element, in the situation, that the coinage of the Silver Dollar here as full legal tender, as provided in the Allison Bill, beside keeping up the price of Silver, gives to the advocates of Demonetization, in Europe, that hope to which Germany has so successfully trusted in past years.

They say, Must not the Americans in time part with their Gold, and take the rejected Silver of Europe at a fair price (for Europe)? Will they not—must they not—make the coinage of the "Dollar of the Fathers" free?

To this must be added the fact, that to coin the Dollar at the former ratio of 15.98 to 1 of Gold, as provided in the Allison Bill, has the effect, more or less, to commit the country, in the eyes of its own citizens, as well as of foreign States, to a ratio between the metals, which, to European opinion, has seemed impracticable —its adoption in Europe requiring such a dislocation of contracts, as well as so extensive and expensive a recoinage.

Will Europe, will America, convinced of the importance of forming a Union for Bi-metallic Money, consent to the exertions, if necessary to the monetary privations, requisite to secure such a Union?

Here, of course, is the key of our Monetary Situation—offering us, as it does, our best hope of Monetary Reform.

PART II.—Bi-Metallism versus Demonetization.

What means are within the reach of an Association like this, which can further this International Monetary Alliance?

Plainly, the peaceful armory of truth is our strength.

And what is the vital monetary truth of the day?

We shall be sure to find it in comparing the doctrine of Demonetization with the doctrine of Bi-metallic Union.

In reviewing the argument I shall necessarily be brief, and I shall devote less time to points that have, as I think, been settled in the monetary controversies of the past two years, than to some new points to which my own challenge has not yet been answered.

And first as to the

THE EXAMPLE OF ENGLAND AND OF GERMANY.

It is a familiar fact that England has long been the chief commercial and one of the most successful manufacturing nations, and that London has long held the prominent place as the world's

bank and clearing-house. As we realize this fact we are prepared to recognize that the monetary experience of England—a country in which discussion of public affairs is peculiarly active—affords a large proportion of the soil in which monetary science has grown.

It is also a salient fact that since Adam Smith formulated Political Economy monetary debate has been chiefly waged by the opposing forces of Banknotes and Specie. The antithesis between commodity and credit, merchandise Money and credit Money, Metal and Paper, has been, so to speak, the air which monetary science has breathed.

Such then is the soil, such the atmosphere in which the Political Economy of Money has been chiefly developed.

But what if this soil and this atmosphere favored the growth of certain weeds of error amid the fruitful herbage of truth? It was of course inherently probable that some errors would be generated in the infancy of monetary science. Was not the Demonetization of Silver, which at an early day took its rise in England, an instance of this sort?

As we ask this question it is significant to note that this great break of tradition, the statutory exclusion of Silver from that place as Money which it had occupied since the Heptarchy, took place at a time and under circumstances not calculated to divert the current of monetary thought from its accustomed path.

Demonetization, as it took place in England, did not divert attention from the conflict between Specie and Paper and direct attention to the antithesis between Gold and Silver, the Metals which together are Specie.

In fact, near half a century passed before the venerable house of Specie began to be divided against itself. It was half a century after Silver had been excluded from English mints that the great Gold Discoveries with their inroad upon the equilibrium of supply created the modern question of Gold and Silver, the "Battle of the Standards." When once this inroad began, monetary science began to enlarge its borders. The Literature of Money became more voluminous from year to year.

It was then that the prices of the world were first thought to be in danger, and it was then that time contracts were deemed dangerous to creditors.

Science took sides in an agitation for the Demonetization of Gold. It was then the single Silver Standard which was the object of laudation. Holland demonetized Gold. Chevalier and others wrote on the Probable Fall of Gold. But France remained true to the

two metals. Richard Cobden translated Chevalier's book into English, but England still refused to replace the Sovereign by making four Silver Crowns a Pound Sterling.

Time went on, Gold became more plenty. England and America, who owned the new Gold, either spent their Money at Paris or exchanged it there for Silver to send to Asia.

Gold coming more into use, it was discovered that Silver was heavy, and presently opinion vibrated to the opposite pole. Those who before had seen only the Silver side of the shield, now saw only the Golden side, and now it was the Demonetization of Silver and the adoption of the Gold Standard that was preached.

And here was felt the power of England's example. The Standard of England waved over this contention.

"England, the great commercial, the great industrial, the great banking nation—England maintains Gold, England excludes Silver."

It is easy to see what dignity the monetary prestige of England lent to the Gold Standard.

And yet what was the gist of all that the example of England really meant—what did it contribute to monetary opinion?

It contributed an *inherited error.*

Neither the facts nor the theory of Demonetization in England had been understood or rightly estimated.

It is a strange assertion to make, and yet, as I understand it, truth compels me to make it. I have never seen an answer to my views upon this point. I should be glad to know if they can be controverted. In a letter in the *London Economist* of September 29, 1877, reviewing the situation in this country, a correspondent, under the initial N., which, according to other journals, concealed the authority of William Newmarch, the collaborator of Mr. Tooke in the History of Prices, does me the honor to observe that "he dissents from my arguments and illustrations." I am left to infer that this dissent attaches among others to the points just mentioned, and to which I shall now give fuller explanation. I may not improperly say here that I would gladly have foregone the compliment of his flattering characterization of my work if the writer could have found space to give reasons for his dissent.

To return. Demonetization took effect, not as is generally supposed, at the close, but at the commencement of the reign of Paper Money in England; not under the auspices of the second, but of the first, Lord Liverpool; not in 1816, but in 1798; and the nature and effect of this exclusion of Silver from the right of being "Specie"

during the suspension of so-called "Specie" Payment, as well as at the time of Resumption of "Specie" Payment, was largely to augment the ills inherent in the Regime of Paper Money (1798–1820), as well as to double the embarrassments of a restoration of a "Specie" basis (1816–1825).

This fact has not only not been appreciated, but has been positively and persistently ignored and denied in Monetary Literature.

Such has been my contention.

If I am right in this statement of fact—one of the great cardinal events in Monetary History—one of the facts that make or unmake monetary theories has been ignored.

If I am right I have discovered how one of the chief pillars of the edifice of Demonetization is to be removed.*

Let us examine the origin of Demonetization more in detail.

Throughout the eighteenth century the mines of Brazil had kept Gold lower in relation to Silver than the English Double Standard ratio of 15⅕ to 1, and Englishmen had taken advantage of the option, and chiefly used Gold, which was the cheaper metal.

But at the close of the century the season of war set in, increasing the demand for Gold in Europe, while in America the uncertainties of civil war depleted the supply of specie from American mines.

Gold rated at 14⅝ in 1780, 15 in 1792, when Hamilton fixed our ratio: it passed 15⅕, the English ratio, in 1798; it was 15½ when France fixed her ratio in 1803, and later the demand for Gold for English Resumption brought it near 16.

And England: what of her Standard? Like ours in 1863, her Standard floated bravely on the breeze between 1797 and 1820, but it was unattached to *terra firma*. Instead of the Union Jack, it had become a kite. England was using Paper Money.

In 1798 Silver came to the Mint to be coined into debt-paying coin; and in 1798 a committee of the Privy Council procured a statute prohibiting the coinage of Silver for a year, and in 1799 this regulation was made perpetual.

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*These points were set forth to a certain extent in a privately printed work on "Silver and Gold," September, 1876, sent as a deposition to the Monetary Commission of Congress, and fully stated in a completed edition of this work, published January, 1877. (Cincinnati, Robert Clarke & Co.)

In an appendix I reprinted the statute. The only allusion I had ever seen to it was in a pamphlet of Ricardo's. I have since discovered it in Sealy's Treatise on Coin, Currency, and Banking, London, 1858, and in Ruding's elaborate Treatise.

The Report of the Silver Commission, published 1877–8, devotes considerable space to the matter.

By the same statute a law was re-enacted, which had been in force for some years after 1774, making the existing worn-out, defaced Silver coin Legal Tender over £25, only by weight, and not by tale.

Let us bring clearly before our eyes the character of this little statute, which demonetized Silver in England in 1798.

In 1798 Silver was recognized as Money-metal the world over. It was not as "heavy" then as it has since become. The free coinage of the two metals was a right guaranteed by more than a century of English law and custom. The statute of 18 Charles II., chapter 25, 1678, provided that, "whereas it is obvious that the plenty of current coins of Gold and Silver of this kingdom is of great advantage to trade and commerce; whatsoever persons, native or foreigners, . . . shall bring any foreign coin, plate, or bullion, of Gold or Silver, into His Majesty's mint, there to be melted, assayed, and coined into the current coins of this kingdom, shall have the same there assayed, melted down, and coined with all convenient speed, "without any defalcation, diminution, or charge for the assaying, coinage, or waste in coinage," and "without undue preference in the order of delivery," and "it shall be delivered out, with all convenient speed, to the respective bringer or bringers thereof, their respective executors, administrators, or assigns."

Thirteen times re-enacted, this statute was made perpetual in 1769; and it was not formally repealed till 1815. This fact may, perhaps, account for the general lack of knowledge that it was practically repealed in 1798.

For a century before 1798 the Standard of English contracts was pounds sterling of Silver, pounds sterling of Gold, and the right of free coinage was under the perpetual guaranty of this law.

As for the equities of the case, who can honestly dispute the moral claim of Silver to remain debt-paying material in England?

Could Debtor and Creditor in 1798 have foreseen the coming train of monetary events, they could have united in prayer for an injunction against the passage of the Act of Demonetization.

Silver stood steady in value; Gold was rising.

The law which put the standard in the two metals was vindicating its equity. Ought debtors to pay in a metal which had risen above the standard?

But meantime Bank-notes were Money, and presently worth less than banished Silver, as well as far less than Gold, nominally alone enthroned.

Ought creditors to have been compelled to accept Paper thus fallen below the Standard—of Silver?

But for the law of 1798–9 Silver would have been a sheet anchor of England's currency during all that stormy time, and she would have remained as free as she was, at any rate, to export gold for use in war, while heavy Silver steadied prices at home.

If there be any merit in Hard Money at all, if Science is right in preferring a commodity money to a credit money, then it was better for England to coin twenty full-weight shillings into a pound sterling than it was to create a pound sterling out of irredeemable paper promises. The current of Silver was setting toward England. And had there been in England a large stock of Silver, the money-metal abundant in all countries with which England traded, and which had not risen at the call of war-demand, the Paper promises need not have become irredeemable, and perhaps need not have remained Money.

If gentlemen in the position of Mr. Newmarch really dissent from this proposition, it is high time they should give expression to their reasons for so doing.

As monetary science stands, it is here at least on my side.

To return: Every interest of England—commercial, industrial, financial, military, and justice and equity as well—demanded a good money. The statesmanship of common sense, an inheritance of the past, gave her such a money. The statute of 1798–9 robbed her of it without her knowledge. Such was the original product of monetary theories, which now, after eighty years, are again on trial before you.

Fortunately for those who seek the origin of these theories, the meaning of this measure, its author has put on record the reason of his course. The institution of the Demonetization of Silver in England is the "lengthened shadow of a man." That man was Charles Jenkinson, the first Earl of Liverpool.

Excellent in many respects, his work is also an illustration of the limitations of statesmanship. Respecting as I do the talent and the learning which it embodies, it would be ungenerous if I failed to add, in criticising the foundation of the Monetary System of England, that it is contained in a letter written to George the Third by an aged counselor, after four years of painful illness, when, as he himself says, he was already "on the verge of life."

Writing, as he did, half a century before monetary science had grasped the modern question of Silver and Gold, the defects of his monetary theories are not to be wondered at.

These defects can best be gathered into one sheaf by the question "What have we to do with abroad?"

The idea that a "standard" means only "the coin chiefly in use;" that a nation, being independent in its legislation, can choose its "standard" with impunity; that "two coins can not be the standard at the same time;" in fact, the better part of the armory of argument for Demonetization, can be found in the pages of his work. But of the actual state of demand and supply of the Precious Metals, the effect of this measure or that upon averages of prices, he seems unconscious. That order of questions which later science holds to be decisive is a sealed book to the author of England's Monetary System.

But I repeat: In the infancy of monetary debate it was not strange that the fallacy of its theory, the injurious results of its adoption, were not comprehended. Nor was it strange that later they were obscured in the murky atmosphere of the conflict between Metallic and Paper Money, between the friends and the foes of Resumption.

Since emerging from the panic of 1825, with her inheritance of the Gold Standard, with Bi-metallic France at hand to steady the par of the metals, and Germany with its Silver to balance her Gold, England, accepting the dross with the Gold of her Resumption of Specie Payments, has held to the opinion that the Gold Standard has worked well; and English thinkers, unconscious of the burden they were assuming, have been not unnaturally inclined to take the history of the generation that demonetized Silver, and the theory of it, for granted.

Strange to say, this process was in a manner reproduced in Germany! The error was not merely inherited, it was transmitted to another nation!

There are few books of which I can speak with more cordial admiration than of the "Doctrine of Money," and "The Signs of the Times in the German Monetary System," published forty years ago, in Prussia, by J. G. Hoffman.*

For learning and judgment they are worthy of the reputation then enjoyed by one who had been a fellow-worker of W. Von Humboldt, of Hardenberg, of Von Stein, in the regeneration of Prussia, after its humiliation at the hands of Bonaparte.

It was as first Director of the Statistical Bureau of Prussia, and first Professor of Political Economy at Berlin, that his labors were undertaken, and it was at the suggestion of the Ministry that, in his later years, he wrote the works I have named. In justice to

*See "Appendix A," for full extracts from Hoffman's works.

Hoffman's memory, let me add that it was a gradual, not an abrupt, transition to the Gold Standard, which he recommended. In support of this view, the Example of England was his prominent argument.

And the Example of England—what was it to his mind? His complete misconception of its nature is indicated, when I say briefly, *that he shows no knowledge that the exclusion of Silver began in* 1798. He knows of no interference of law with "natural selection" before 1816.

His advice was not followed, and it was not until a quarter of a century later that the German agitation, after 1867, looking back, took shelter under the authority of his name.

Ignoring the true history of English Demonetization, it was natural that in due time Germany, intent upon monetary revolution, which should make the new Empire equal in monetary position to the "most favored Nation," inquired, "What have we to do with abroad?" In due time, enforced by the august examples of these two great nations, the halo of absolute authority encircled such fractions of truth as that "The value of the precious metals is independent of legislation;" "It is impossible to have two monetary standards;" "Gold is the money of advanced nations, silver the money of those backward in civilization."

And, of course, under these disadvantages, the vindication of the truths of monetary science has been slow. It is only within a few years that thinkers have afforded to public opinion the weapons with which to meet these errors.

But since 1876 conviction has been rife.

Before leaving the argument from experience a word as to the point that the Gold Standard has worked well in England since 1830. I shall not take time to discuss it at length.

I observe, merely, that the working well, as far as the general economic interests of England were concerned, existed by favor of Bi-metallism.

But for Bi-metallism in France, Chevalier's prophecy would have proved true, and a depreciation of Gold, after the Gold discoveries, would have ruined England and the Gold Standard together.

It was the existing balance of Monetary powers that made the Gold Standard successful to the extent to which it did enjoy success.

Secondly, the exclusion of Silver as debt-paying material, *prima facie* tends to increase the financial storms which periodically rage in the London Money Market.

This presumption has, so far as I know, never been disposed of in argument.

As for the banking advantage enjoyed by "Sterling" money—the extent to which it would be injured, if England were to join, or were not to join, in a Bi-metallic Union, has not yet, so far as I know, been adequately discussed.

As a matter of law, Englishmen say it would alter the basis of contracts, to make Silver Pounds Sterling Legal Tender.

This motive did not prevent a total transhipment of contracts in Germany from Silver to Gold.

But if a Monetary Union were formed, it is *prima facie* probable,

First. That notably, as regards the Indian portion of the Empire, the basis of contracts would enjoy a security of which it is now bereft; and,

Secondly. That the restoration of Silver Pounds Sterling in England would be a guaranty to the security of all contracts that Englishmen are interested in.

The question, whether conservative England will coin Silver Pounds Sterling, is a question not of economy but of politics. And in politics the presumption is, that if British Interests were seen to demand the equalization of the monetary system of India and England, the Statutes would be forthcoming.*

THE CAUSATION OF THE VALUE OF THE PRECIOUS METALS.

Turning now from the argument from experience, to the *pros* and *cons* of doctrinal controversy, we find that a good part of the field is won for Bi-metallism.

The dictum of what assumed to be science and was not—as to the causation of the value of the precious metals, has now been reversed.

This dictum had assumed the existence of an antithesis between nature, commerce, the Laws of Supply and Demand, on the one side, and Legislation on the other.

Gold and Silver being commodities, were independent of Legislation.

If this be true, it is plain, Demonetization of Silver could not depreciate Silver, and the adoption of the Gold Standard, by nations which before had had Silver, could not increase the value of Gold.

All this, of course, because the value of Gold and Silver was a result of nature, of commerce, of the Law of Supply and Demand, and owed no homage to the arbitrary enactment of the Legislator.

* See "Appendix C."

This "Free-trade" theory of the causation of their value, was one of the corner pillars of the Gold Standard and Demonetization.

I think I am safe in saying it has fallen!

I know of no economist who can now afford to ignore that, inasmuch as all men desire, seek for, spend their lives in winning whatever is Legal Tender, and as Legislatures choose what shall be Legal Tender, Legislation can, and does, influence the demand for an existing commodity, the supply of which is limited. One who admits this is powerless to deny that Legislation does influence the value of that commodity.

With this admission, the theory in that dangerous form which made it a justification of Germany's policy, is doomed.

There is no escape. The idea that the "cost of production" supplies a safety-valve for fluctuation of demand by increase or diminution of supply, is only remotely applicable to Money.

Here is a fertile source of misunderstanding. The average annual increase of the precious metals in the hands of man, is perhaps less than one per cent. of the stock on hand. Of what other commodity can this be said?

How much corn, how much iron is now on hand in comparison with the amount produced or producible in a single year?

Unlike these the precious metals are indestructible, and the earth refuses to pour them forth at a blow from the wand of the legislating magician.

By writers of position, the universal adoption of the Gold Standard is now admitted to be so far impossible that by its check of production and fall of prices, it would put the world into bankruptcy.

And the admission is working its way that Demonetization in Germany has had nearly its proportion of this effect.

CONCURRENT CIRCULATION OF THE TWO METALS.

Another position, won by Bi-metallism, is the possibility of securing by concurrent legislation of commercial states, a concurrent circulation of the two metals.

It is now substantially admitted that a strong union of commercial Nations in the coinage of both metals as full legal tender at one ratio would, under any circumstances of which the world has had experience, at once insure steadiness of the market relation of the metals, a safe monetary basis to domestic and international business, and a convenient coin for large and small sums.

Two years ago it was easy to deny this. To deny it now is like

denying that water can run up hill. Of course to deny the latter is to ignore the law of gravitation and one's own experience. No one who ever saw water bubbling up in a spring will be troubled with the simile. And I may add that the city-bred thinker, in order to seize this truth, need only remember the hydrant in his bath-room to which water rises from pipes that are beneath the street in obedience to the gravitation of a distant city reservoir.

Nature supplies the current that feeds the lakes of Silver and Gold. It is merely proposed to connect the two, and the gravitation of human self-interest will see to it that the two stand at the same level.

True my opponent may say "the connection will not be complete; the Governments, in other words, will not observe with fidelity their coinage treaties which you propose."

Mr. Bamberger, the prominent advocate of demonetization in Germany, made this assertion. It was in his "Reichsgold," an apology for the German policy about Silver, in which he found it necessary for his defense to attack the idea of monetary union. In a chapter devoted to this subject, in a work on "Silver and Gold," I sought to expose the fallacy of his argument. It was based in fact upon the idea of national independence in matters of money, which we know to be impracticable, and depended for historical proof upon experience not germane to the subject.

Mr. Bamberger's objections, for example, to the Austro-German Convention of 1857, may or may not be well founded.

But even if they are correct, they do not apply to a Bi-metallic Union such as is here advocated. That Convention was to enable the coins of one country to become legal tender in the other.

But in the Bi-metallic Union each country can take care of and receive its own coins. All it binds itself to is to keep its mints open to coin either metal that is brought there, into its own coin, at one ratio, and that these coins shall be full legal tender.

The one was for fusion of currencies or mutual legal tender. The other merely for unity of metal at our ratio.

For a multiplicity of reasons the self-interest of the Nations would be enlisted, not in the destruction, but in the maintenance of this sort of monetary treaty.

But the argument is a favorite one.

I find, for example, that Professor Erwin Nasse, who differs from Mr. Bamberger on other vital points in which I have taken issue with the latter, sustains him in this.

Professor Nasse, who beside being a Member of Parliament, a

Professor in Bonn, is, also President of that section of economists known as "Katheder-Socialisten," has lately published an important paper on "Bi-metallism, and the Money Question in the United States," in Von Holtzendorff and Brentano's Annals of Legislation.

Although differing with Professor Nasse on some points, I am glad to call your attention to a discussion of the question from a German's standpoint, which would serve to some American disputants as a model of candor.

In defense of Bamberger's position, Professor Nasse replies directly to my chapter on Monetary Treaties.

He points out as conclusive that I am in error, the ease of evasion of a strict fulfillment of the treaty, as for example, by a discrimination in the management of the mints, or of a leading bank, against one of the metals, presumably Silver.

I can only demur that it is only fair to presume that a public opinion enlightened enough to secure the formation of a Bi-metallic Union in the interest of stability in the value of money, will be enlightened enough to see to it that treaties for this purpose are honestly observed. I know nothing in human affairs which can be more safely relied on than National self-interest and National honor combined.

Another objection which Professor Nasse makes, and which, if I remember rightly, is also included in the attack against the Double Standard which Dr. Hertzka published in his "Currency and Commerce" [Vienna, 1876], is the probability that Gold will after all command a premium over Silver, as it did in France before 1850.

In order to meet this argument, my course is simply to demand that an election be made between the presumption that the Gold supply will increase, and the presumption that it will diminish. Both can not be correct.

If the Gold supply is to be as deficient as it was in France before 1850, the advocate of Gold should admit that even Germany's adoption of Gold must cause a general fall of prices. Hence if Bimetallism be impracticable, the adoption of the Gold Standard by several nations is still more impracticable.

And if the stock of Gold is to be replenished as compared with Silver, why should there be such scarcity of Gold for business on a large scale as to compel the payment of a premium for it?

On this point an answer is still lacking.

THE HEAVINESS OF SILVER.

But it is seriously said, Silver is too heavy. To me there is a curious air of affectation about this objection.

Of course, if "wishes were horses, beggars might ride," and in addition to Gold we should have Diamonds as Legal-Tender, ductile, homogeneous, indestructible and steady in supply, so that a million gold dollars' worth could be carried in one's pocket-book.

But in this work-a-day world it is conclusive upon this question of the heaviness of Silver to recall that a goodly proportion of existing English subjects have dealt in rupees all their lives, the entire generation of Germans living and their fathers before them for centuries have lived, breathed and had their being by virtue of the Silver Dollar. The same is true of the countries of the Franc. And then it is a very simple matter to use certificates of deposit.

Having thus, in legal parlance, considered declaration and plea, let us now construct a sound opinion upon new points raised in the replication and rebutter.

Among the points recently advanced in support of the exclusion of Silver from European Mints, the following are the more prominent:

THE PROSPECT OF INCREASED PRODUCTION OF GOLD.

First stands the prophecy of a coming over-supply of Gold. The idea is that there is to be an alarming gold inflation of a gold currency. This argument was used ten years ago, and since then the gold product has been on the wane. Why should we build our house upon what has thus far proved quick-sand?

In answering the argument of prophecy, I shall, of course, attempt no counter-prophecy. "These things lie in the lap of the gods." Edward Süss of Vienna, who has left no corner of the globe unexplored in his quest for materials for the "future of Gold" (published last summer in Vienna), thinks the annual production is permanently on the wane.

But if he be wrong—if the streams of Midian and Nilus's Fountains should come to roll down golden sands—if Nevada's golden crags be rivaled in new states, called into existence by their wealth of gold, what matters it for you and for me to-day? Will it not be time to put up the umbrellas of legislation when the yellow drops begin to fall?

THE RISE OF PRICES SINCE THE GREAT GOLD DISCOVERIES.

We come now to a more serious argument. Between 1852 and 1872, what the European world has actually experienced in matters of stability of the value of Money, or in other words of averages of price, has been shown to be no stability at all, but really a subsidence of the former, and an upheaval of the latter. Prices are said in this time to have risen 25 per cent. in the Western World. This inflation is currently credited to the new supply of Gold, and the contention is that it is necessary to check this rise by demonetizing Silver.

And first as to the facts: Is this rise exclusively due to the new supply of Gold? Why is not a share of it attributable to the Paper Money emitted in that period? At least, to the extent to which it displaced specie and lessened the destruction of specie, Paper Money must have exerted at least its share of influence in expanding prices.

The United States began expatriating its home stock of specie in 1861. Italy began in 1866. They must have sent abroad to other countries, chiefly of Europe, before 1870, something like four hundred Millions of dollars' worth, and chiefly of Gold.

I am unable to see why this fact does not dismount this argument for Gold.

I say this, of course, with more confidence, because, so far as I know, the point has entirely escaped attention. Professor Jevons, in reasoning upon the question, makes no account of this fact, but proceeds upon the view that this late rise of prices is solely due to new Gold. Professor Nasse seems to occupy the same position.

But certainly *prima facie* this action of the United States and Italy is a potent factor in the subsequent movement of prices. Upon what ground can the presumption be set aside? A question which none are more competent to answer than Professor Jevons or Professor Nasse.

There is, however, another important fact that seems to be ignored, which is, that in spite of these accessions to the metallic stock of northwestern Europe, after 1862, the greater proportion of the total rise since 1850 is referred by the best authorities to the earlier half of the period 1850–1870. This tallies with the expansion of the product of Gold. It is now twenty years since the Placer Bonanzas swelled the annual product of Gold to unprecedented proportions. The presumption is, therefore, that in the modern world of steam and telegraph and credit, where telegraphic

money orders can be discounted, the new Gold acted on prices at once, and the force of it was speedily spent.

These two lines of inference point to the same result. Is it not more than probable that the rise of prices due to the new Gold from the mines, reinforced by issues of Paper Money replacing Specie, had already exhausted its momentum in 1871? Since then has any basis been discovered for *a priori* presumption that a further rise of prices will take place?

I have sounded the question with care. I find no such basis.

The annual product of Gold is waning. There is no country which proposes to export its Gold and put Paper Money in its place.

As for the fact that late centuries have witnessed a gradual depreciation of both metals so that prices in either are now many times greater than a few centuries ago, and that Silver has declined more than Gold—suffice it here to say that we are dealing with facts of to-day.

We live in the time of steam and telegraph as well as of credit. There is no safe presumption upon a matter of such delicacy as this to be drawn from a past so disparate from the present with which we are dealing.

Coming now to the plain question of fact, I am bound to say that the assertion made in behalf of the apology for Demonetization which we are discussing, to the effect that this upward movement of prices has actually been going on since 1871, and will go on in the future, lacks, respectively, proof and probability.

I will willingly accept correction in this regard, but I know no authority for asserting that prices have risen; on the contrary, all fact which I have ascertained points to a fall of prices in Europe, as well as here.

The question, whether the fall of prices of the past four years will be permanent or progressive, depends upon the future of Demonetization.

But waiving this point, and assuming that the value of Gold has been stable, what is gained for the monometallist argument?

If the argument went no further than to justify Germany's adoption of Gold as sole money, it would not be necessary to say more than I have said. But to advise the United States to replace its Paper with Gold is to advise the United States to duplicate the check that Germany gives to this alleged rise. If one can check the depreciation of Gold by drawing for three hundred millions and for the annual consumption of Germany on the total stock and annual

supply of Gold instead of Silver, and bring the stock to a stand-still of stability of prices, evidently to double the demand, will cause an appreciation of Gold and a fall of prices.

And what if the rest of Europe join in the demand, and in the meantime the Gold production dwindles?

It is, or should be, admitted that it is desirable, that the supply of money metal be so large that Italy, Austria, as well as the United States (not to speak of Brazil or Russia), should be enabled to replace their paper with specie.* Such in these countries is the aim of statesmanship.

And such should be in other countries the aim of statesmanship—for it is a vital though neglected fact, that economically, on the average, it is to the interest of each country that other countries should be prosperous.

In any case it does not lie in the mouth of one who advocates a policy which will make it impossible for one, or two, or all of these countries to accomplish this result, to assume as an argument his own prophecy that these nations will not do this.

We may here opportunely glance at even another point, which seems an object of faith.

If, as a distinguished economist has said, it be "blind and vain striving against Providence" to attempt to arrest this depreciation of Silver, it still remains to be proven that it is our mission to assist Providence in one way and strive against it in another, to be in other words an accomplice in raising the value of Gold and in depreciating Silver.

Moreover, there is good ground for supposing that Providence is not inexorable in pursuing this career of depreciation.

Has not the nineteenth century had experience of a calm and of an upheaval as well as of a subsidence of the value of Gold? Were there not times between 1820 and 1850 when prices remained steady, when they fell abruptly, and when they fell gradually?

Such, then, is the insecure foundation of fact upon which is built the strongest argument which is now left to the advocate of Demonetization.

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* Upon this subject I present herewith an independent argument in the Appendix. See General Restoration of Silver a condition precedent to successful Cancellation of Paper Money.

THE POLICY OF CHECKING A GRADUAL RISE OF AVERAGE PRICES.

Let us now for a moment glance at the doctrinal structure of this argument, which we have discussed.

Let us consider this question of checking a rise of average prices based upon a redundant supply of money-metal.

It does not seem to be generally understood that the stock of Metallic Money, in this part at least of this century, not only needs to be continually reinforced to supply waste, but also requires to be actually increased.

I am inclined to assert that in these days prosperity demands such an increase.

Prosperity implies an increase of exchanges—an immense increase—and it implies the spread of mankind over unoccupied territory and the increase of the number of men enjoying competence. It is true that credit exchanges increase, but the total of exchanges increases faster. It is natural, therefore, to infer that each year the world needs more specie. The tendency of modern invention to cheapen production also calls for an increase of specie in the interest of the stability of the value of money.

In my first examination of this order of questions, I was led to inquire what fact bearing upon this subject was contributed by the experience of England. It appears that between 1844 and 1874 the stock of Metallic Money in England was about doubled. Does not this fact place upon irrefragable ground the view that the metallic stock should be increased?

It is also certainly true that a check of this increase tends to cause a fall of prices and a check of production.

On the other hand, if this annual increase be actually so great as to cause a rise in prices, it is not certain that the injury to the "creditor class," those who have fixed incomes, etc., is not more than compensated by stimulus to production and exchange, which enriches the losing class in other ways.

While this is a mooted question of science, I think the balance of authority is with me.

That I may put it beyond a peradventure that I am not biased in saying this by my views as to the necessity of the Restoration of Silver, I quote the following from Professor W. S. Jevons' "Serious Fall in the Value of Gold," 1863. In chapter 33, of which the title is, "Of the Influence of Depreciation on the Community as a Whole," Professor Jevons says:

"I can not but agree with Mr. McCulloch, that putting out of

sight individual cases of hardship, if such exist, a fall in the value of gold must have, and, as I should say, has already a most powerfully beneficial effect."

The following quotation, besides serving the same purpose, will reveal the divergence of opinion on the subject. It is from the pen of Professor Erwin Nasse.

In the paper before quoted he says:

"Bamberger asks, in reference to the possibility of a rise in the value of gold: 'Nations that possess gold would make a profit on the rise in its value. Can the idea have anything alarming for them?' We are certainly of opinion that the question must be answered in the affirmative.

"Even the assertion of this writer, that if the world were compelled to choose between the danger of a rise in the value of gold and of a fall it would do well to prefer the former, is extremely doubtful.

"A fall of prices means not merely to a portion of the people a loss which can be balanced by gain to others, but it leads to some pressure upon the whole range of economic activity (*wirthschaftliche Leben*) and to a check of economic development."

For my own part, without taking sides in favor of a gradual expansion of prices based upon redundance of metal, I regard it as imperative that one should admit that if there is to be an alteration of the average value of metal caused by alterations of supply, it is better that its value should fall than that it should rise.

The object of economic statesmanship is to secure the maximum of *useful* production and exchange. It is to keep mankind *usefully* employed and not idle.

But what is "*useful?*" Here is a wide field of debate. A wild speculation, an investment fore-doomed, do they lead to useful expenditure of labor and means? Evidently not.

But what is a "wild speculation," a "fore-doomed investment?" Surely, in most cases, it is an *afterthought* that characterizes them as wild and fore-doomed.

Had the sincere anticipations of the honest speculator, of the honest investor, been justified by the event, of course their enterprises would have become successful.

Why were their anticipations not justified? Was it unalterably imbedded in the nature of things that they could not be justified, or did some cause essentially removable interfere to blight these hopes? A lack of *confidence*, for example. If so, what we look upon now with *after-wisdom* as a failure, *might have been* a success.

Just here, in that "might have been" lies the opportunity of the statesman.

Can he bring about conditions which will substitute work for idleness, by making of this speculation, of that investment, a production or exchange which *shall be useful?*

In surveying this question, let us bring into the field a vital fact—the immense importance of daily, monthly, yearly work. The world has no use for tramps.

Mr. Edward Atkinson, of Boston, has shown us that in Massachusetts the total accumulation of wealth, exclusive of land, is only about double the annual production of wealth.

If this be the rule—if the savings of the Nation will only support the Nation for two years—the necessity of daily, monthly, yearly work, work, work, is even more clearly shown.

A state of things which will keep the race at work is therefore greatly to be preferred to one which, even to a small extent, enforces idleness.

Now the indications are clear that a fall of average prices does tend to bring about idleness, while a rise of average prices tends to promote activity.

If these views be correct, Silver is entitled in any case to the benefit of the doubt.

In the existing and inevitable uncertainty about the exact supply of metal which will support the existing averages of prices in permanence—the nearest approach to past conditions is the safest.

The presumptions which are in favor of redundance of metallic money are in favor of the retention of Silver as money.

This is peculiarly true at this time, for reasons of which I can here merely give a hint.

The American war, the development of cotton industry in India, the Pacific Railroad, the thousand of miles of new railroad beside, the Suez canal, the payment of the war fine to Germany, etc., each at once a stimulus and a disorganization of industry and commerce, all threw the producing and exchanging world into a state in which redundance of metallic money was needed to prevent disaster.

If we look at these landmarks of man's economic history, recalling also how a succession of inventions has disorganized old methods. as well as introduced new and cheaper methods of production and exchange, we recognize that if Demonetization of Silver was to take place at all, it would have been difficult to select a time more unfavorable for the interests of mankind.

In Lincoln's homely phrase, it was "a swapping of horses while fording a stream," and on a scale of unexampled magnitude. It was the civilized world that made this mistake.

THE BANKING ADVANTAGES ATTRIBUTED TO THE GOLD STANDARD.

I come now to the last position.

It may be said that "the gold standard gives a nation an advantage in foreign exchanges. It is a prize to be striven for.

"Each country for itself: it is indifferent to us how the hindmost take care of themselves."

We observe, first, this is sincere, but it is not scientific. In fact, it abandons a large part of the field over which the Gold Standard has floated. It admits that Demonetization in one is an injury to other countries.

In fact, if it be followed to its conclusion, and the dislocation of values which we have shown to be the effect of Demonetization be caused with malice prepense, this attack on the basis of investments and contracts becomes morally a sort of national Piracy, which, in fact, is worthy to become a subject of international law and of universal reprobation.

Secondly, we observe that in matters of money it is vain to say, "What have we to do with abroad?" A nation can not remodel its monetary system to the detriment of others without harming itself.

Witness the action of England, of Holland, and of Germany. And of the modicum of success which attended these demonetizations, what would have been left, if France, with her free coinage of either metal, had not steadied the par?

THE PLAN THAT ONE COUNTRY SHALL TAKE GOLD AND ANOTHER SILVER.

Let us, however, for a moment admit that there are genuine and patriotic grounds to justify the enforcement of the Gold Standard in Germany and its retention in England, and turn to a view advanced in their support, that the countries which are to resume Specie Payment should take Silver.

Another form of the same idea was set forth some years ago by Professor Jevons, in his book on "Money," in saying that he could see nothing to regret in the division of the world into Silver-using and Gold-using countries.

The proposition is, then, that the World's Money in total is to

consist of the two metals; but one part of the world is to use Silver, another part Gold.

Is this applied political economy? Is it statesmanship?

Will gentlemen deny that it is desirable that the Silver Countries and the Gold Countries should trade with each other? Hardly.

And if they do trade with each other they will require some common Instrument of Valuation and Means of Payment? Yes.

What is to be the medium between them?

Evidently there will need to be a ratio of some sort established between the moneys they use.

If they are to have any basis of exchange at all, so much Silver will have to be worth so much Gold, and *vice versâ*.

Will the ratio between the two be as steady as Greenbacks to Gold in New York, or as Gold to Silver in Calcutta, in 1876?

Will the ratio, I ask, be steady or will it be subject to constant fluctuation, abrupt and extreme?

Gentlemen, who have advocated "Hard Money" in the United States, I entreat you to give thought to these questions.

Deny the desirability of fixedness of the par between Gold and Silver, and you give the lie to one of the strongest arguments with which you have for ten years combatted Paper Money. And your failure in right thinking will not only affect your past—you will presently find that you have lamed your right arm at the outset of the coming contest with "Peace Greenbacks."

To return to the question. This plan of dividing the world into gold-using and silver-using countries means a permanent condition of "unstable equilibrium."

It must be admitted that there is no "normal price of Silver," and that, if no country is Bi-metallic, there will be no fixedness of the par; and if but few countries coin the two Metals at one ratio, their Standard will be an alternating one, and fluctuations of demand or supply may presently leave them with but one Metal, and the par will be lost—while, if a strong combination of nations coin the two Metals freely, at one ratio, the Metals will be steady in relative value the world over.

For the sake of the Monometallist himself, it is desirable that a Bi-metallic Union should be established, and although they may not deserve it, England and Germany will receive great benefits from its formation.

CONCLUSION.

I now close my statement of the argument in this great cause, and ask you, is it not clear that the Concurrent Restoration of Silver by the Commercial Nations offers the only safe solution to the dangers of the Monetary Situation, not only of the United States, but of the world?

From those whom the novelty of the subject leaves unprepared to adopt this conclusion without further thought, I can, I trust, at least expect now the admission that the distinguished apologists of demonetization, in whatever tongue they speak, reckon without their host in assuming, as they have too often done, that the burden of proof lies upon their Bi-metallist antagonists. As may be jocosely said in my profession, "that may succeed before the jury. Unfortunately for you we are arguing before the court, and the Judge is Truth itself."

But what is to be done?

The Silver Question has not been settled. It bids fair to stay by us for some time to come.

The country is in possession of a large stock of gold, and is in position "to await events."

Compelled as we are to defer the replacement of Paper with Specie, we are not compelled to abandon it. No law need be passed, no act need be done, which in the delay in the cancellation of Paper Money and the permission of its reissue, goes counter to the principles which guided the final decisions of the Supreme Court on this subject. If Greenbacks be so issued now as to lose their identity as mere copies of the original Notes issued in 1862–3, copies made and received in lieu of the original, merely because the original was defaced, we shall have gone a step further in that retreat which is slowly proceeding from a war Greenback, which the Supreme Court did not, to a peace Greenback, which the Supreme Court dare not pronounce unconstitutional.

As for the Metals, the whole policy of the Government should be guided with a view to the restoration of Silver in Europe, and hence with reference to the treatment of Silver by European States.

But the formation of a strong Union of Nations in the restoration of Silver is no simple task. *Vis inertiæ* is proverbially powerful. Added to this, the momentum of the movement, the historical and doctrinal origin of which we have outlined, is not to be neutralized with slight efforts. Leading men have been committed to

the doctrine of this movement for the Demonetization of Silver. National pride is enlisted in its favor. It is no easy matter to induce nations, nor to induce parties, to apply the corrective for their own mistakes.

But public opinion in Europe can not easily evade a question of such vital interest as this, and the establishment of Monetary Peace must come, if the United States, from which the initiative is expected, will fully understand its opportunity and will use its power to the end.

First, it must understand its opportunity, or, in plain words, its leading men must undergo the mental labor requisite to enable them to comprehend the subject. There must be an end to this succession of national monetary errors which we have surveyed.

It is plain that our progress toward the replacement of Paper by Specie has revealed a little of that confidence which Southey satirized half a century ago, as if the road before us were like that trodden by the famous

> "Summer excursion to Moscow,
> When the fields were so green,
> And the sky so blue!"

But although we have taken initial steps upon an excursion like this, we have halted long before it was too late.

Although European Demonetization of Silver has delayed the Replacement of Paper by Specie, the Forces of "Hard Money and Honest Money" are still masters of the situation.

The friends of Progress are in the majority, and if they understand in what Progress consists, they must become friends of Monetary Reform.

And the friends of Monetary Reform are gathering under the standard of Bi-metallic Union, convinced themselves and convincing others that "*in this sign we conquer.*"

As for bringing the general public to their support, let no one assume that this people is not enlightened enough for such a policy as this. The people have not only brains enough to understand such a policy, but they have the will to enforce it.

There is, strange to say, a spark of the divine fire in this outcome of dry monetary investigation that is worthy to kindle the hearts of men.

I have shown that for our own monetary advantage, for our own ends, to unify the money of the world is the first object of an American monetary policy. If I am right, the importance of this policy overshadows all else that Government can do to ameliorate

the condition of finance, commerce, and industry. But if our National self-interest enjoins this policy it sets no limit to the motives that move men in its favor. The Declaration of Independence, the Emancipation of the Slave, were, in their time expedient for the rebels of 1776 and for the Unionists of a few years ago, respectively. These landmarks of history, seen near at hand, recommended themselves as measures fit to further the self-interest of the people, for whose sake they were devised. And yet these measures would not have led to success had they not meant much for humanity as well as for the Independence of the Colonies and for the Union of the States. So it is of the policy of Monetary Union of which I am speaking.

There is not a country in Europe which will not receive from the success of this policy a material benefit equivalent in proportion to that which it promises to the United States. More than this, the progress of a Nation is, after all, but a fraction of the progress of man, and the living ideas of national progress are those which embrace mankind within their scope. The formation of a Monetary Union of the Commercial States is a step forward in civilization.

I have shown how far the amendments incorporated in the Allison Bill, as well as the bill itself, are inadequate to the occasion, as compared with "what might have been." But, after all, despite their insufficiency, the provision looking to international agreement in the restoration of Silver is of the same family as the Declaration of Independence and Emancipation. It sets before the world an ideal, and the national self-interest which should lead the American people to make that ideal a reality is justified as well as reinforced by the service its realization would render to mankind.

APPENDIX.

A.

THE PRUSSIAN ANTI-SILVER THEORY, AND ITS ORIGIN IN AN HISTORICAL ERROR.

[See page 29.]

[In the preparation of a work on "Silver and Gold" the writer had, early in 1876, endeavored to obtain a copy of those works of Hoffmann, which in connection with his chapter on the "Example of England" form the subject of the above named paper.

He failed, however, to obtain them and it was not till after the printing of the completed edition of "Silver and Gold" that Hoffmann's book reached him by mail—in March, 1877.

Upon then examining them, he at once prepared the paper from which a short extract is here given, but other occupations interfering no effort was made to procure its publication, although abundant use was otherwise made of the discovery it set forth.

Subsequently, in April, 1878, the writer being called upon for an essay, as member of the Cincinnati "Literary Club," this paper was read.]

"Hoffmann is the ancestor of the Gold Standard in Germany.

Sötbeer is but a continuator of Hoffmann's work.

It is strange, but it is true, that to unsettle the corner stone of the great monetary edifice of Germany's Demonetization one needs but to confront Hoffmann's own words with certain Statutes of the British Parliament.

Hoffmann's first work was his Doctrine of Money.

A few words of the preface will show the spirit in which the book is written.

"The effort" he says "of the Prussian Government to base its power upon conviction and upon morality has also imposed upon the author of this paper the duty of bringing to public knowledge, out of his peculiar circle of activity, whatever may contribute to the formation of sound views upon public questions."

As to the policy of Prussia, he concludes in favor of the gradual enlargement of the Gold coinage, with a view to final transition from valuation in Silver to valuation in Gold.

His chief arguments that lead to these conclusions are two:

First, what appeared to Hoffmann the *Example of England*.

Second, the fact that it costs more to keep up a stock of full weight Silver than of Gold.

And what was to Hoffmann the example of England?

It was that "nature" demanded the Gold Standard.

To those familiar with the movement of thought in Europe early in this century, the wonderful force of this notion of Nature as opposed to Statutes will need no explanation.

The reluctance with which economists to-day admit, as they are gradually doing, that laws in controlling the demand control the value of commodities, and that law can fix the equation between two kinds of Legal Tender—all this is but another manifestation of the same exaggerated antithesis between Nature and Human Laws.

It was not legislation, says Hoffmann, that established the Gold Standard in England."

It was the inherent innate necessity of "commerce on a grand scale."

It was as if "commerce on a grand scale" demanded as a condition of its existence that Gold should be sole Legal Tender and Silver should be demonetized!

But I will quote his words. In the table of contents of his Doctrine of Money, he says:

"In Great Britain the transition to the Gold Standard has already been brought about by the wearing out of Silver in circulation." (Page 102.)

"Action of England in completing the transition." (Page 109.)

"Improved condition of the British Money system, resulting from the change." (Page 116.)

He plainly intends to give a complete account of the Example of England.

On page 103, he says:

"In the land, which of all upon the face of the earth is richest in commerce and in manufactures, in Great Britain, the way was prepared for such a coinage by the natural course of events, but to the government of this state the praise is due, that it understood how to take advantage of the preparation, and that it has maintained with firmness against manifold attacks, the Monetary System which, in consequence of this preparation, it adopted in 1817."

He then proceeds to give a brief sketch of English Monetary history, the Silver Standard, the Guinea of 1682 as a "pound sterling" at 14.48; etc., etc.

At the prevailing ratio in Europe, Gold was worth more than 14.48 of Silver and so Gold was exported and Silver remained.

In order to keep Gold in England, the Guinea was finally in 1728 raised to 21 Shillings and the pound sterling was $\frac{20}{21}$ of a Guinea.

But the new ratio of 15.21 underrated the Silver.

Henceforth no Silver in England!

"Gold flowed to England to buy Silver" to sell again on the Continent.

No Silver was left in England, except pieces worn out and under weight, and Gold was the chief Currency. (Page 105.)

With this the writer passes at once to say (page 106):

"The immense expenditure that Great Britain was led to incur in sup-

porting its fleets, and the different armies it maintained in foreign fields, compelled the government to send abroad all the money which it could lay hands on. In order that it might command as much Gold as possible, the Bank of England was forbidden, in 1797, to redeem its notes with cash, and after that the country had only Bank Notes for all larger payments of a pound sterling and over; while for small trade, below a pound sterling, it used the worn out Silver change.

"With the continuing increase of population and industry, this Silver Money was not sufficient to meet the unavoidable demands of small trade.

"The Bank therefore issued stamped Spanish Dollars (as Tokens), and coined Bank Tokens out of Dollar Silver.

"Inasmuch as the necessity of continuing this expenditure lasted till the final peace of 1815, and as there was no more Metallic Money to be withdrawn from the circulation at home, it was constantly necessary to buy Metal abroad, and pay for it with English goods or services, or to take it upon credit.

"Through this cause the price of the Precious Metals in England itself went up so high that much more than four pounds sterling was demanded for an ounce of Gold."

(Gold was at a premium above Paper, fluctuating below thirty-four per cent. for twenty years.)

Hoffmann then goes on to speak of the ratio at which the Metals were exchanging in Continental markets and of the rise of Gold.

Again, on page 75 of his "Signs of the Times," he says:

"In the British Empire the utter impossibility of accomplishing anything with the old worn out Silver Money brought about involuntarily the transition to reckoning and paying in Gold, and the transition had already completed itself without attracting any attention, *when the Government, in* 1817, *gave it its sanction, and by law established a Monetary System founded upon it.*"

On page 128 he goes on to say: "In the British Empire the force of events which developed themselves from the wearing out of Silver Money in circulation, brought about the transition from reckoning and paying in Silver to reckoning and paying in Gold, and *since the year* 1817 *the Government has merely sanctioned what had long before established itself without its interference.*"

These, then, are what seemed to Hoffman the facts.

Upon this ground is based his argument from the example of England.

From this quarry come the corner-stones of the fabric of the German Gold Standard and the Demonetization of Silver.

What was the truth?

Realizing the infinite influence which this error has had upon the destinies of generations, one might say with far more right to the tragic tone than Hamlet had, "Look here on this picture and on this."

Section 2 of the act of 38 George III. 59, entitled "An act to revive and continue (unto 1799) an act (passed 1774) . . . to prohibit the

importation of light Silver Coin of this realm from foreign countries into Great Britain or Ireland, and to restrain the tender thereof beyond a certain sum, and to suspend the coining of Silver," passed June 21, 1798, is as follows:

"And whereas his Majesty has appointed a committee of his Privy Council to take into consideration the state of the Coins of this kingdom, and the present establishment and constitution of his Majesty's mint, and inconvenience may arise from any coinage of Silver until such legislation may be framed as shall appear necessary; and whereas, from the present low price of Silver Bullion, owing to temporary circumstances, *a small quantity of Silver Bullion has been brought to the Mint to be coined*, and there is reason to suppose that a still further quantity may be brought, and it is therefore necessary to suspend the coinage of Silver for the present: Be it therefore enacted, *That from and after the passing of this act, no Silver Bullion shall be coined at the Mint*, nor shall any Silver Coin that may have been coined there be delivered, any law to the contrary in any wise notwithstanding."

In the following year the act of 39 George III., chap. 75, revived the foregoing act, and made it perpetual.

B.

EUROPEAN RESTORATION OF SILVER A CONDITION PRECEDENT TO SUCCESSFUL CANCELLATION OF PAPER MONEY.

[The paper from which the following extracts are taken was prepared in the spring of 1877, and upon the friendly suggestion of Mr. B. F. Nourse, of Boston, was printed in the Boston *Daily Advertiser* of July 4, 1877.]

"Upon this subject I desire to present an argument cumulative to those already somewhat familiar to the thinking public."

"The standard argument for Bi-Metallic treatise as a condition of successful resumption is in brief as follows: Silver being demonetized, there is not enough Gold for the growing needs of the Western World, and hence the replacement of Greenbacks with Gold is impracticable. So the replacement of Paper Money in Europe with Specie is also postponed by the present situation of affairs. But resumption in Silver is also impracticable, for, with Silver demonetized as it is now (partly in the sense only of exclusion from free coinage), Silver is not only not Money in Europe, but there is no security for the par at which one may buy Gold with it. Hence, as matters stand now, it is not worth while to resume in Silver. . . . To take it in any form, under any 'standard,' means either resumption in Tokens or resumption in 'German Silver' (*i. e.* pewter). It follows that, to resume at all with safety, we must restore Silver in concurrence with a sufficient number of nations in Europe. To do this we must adopt a common ratio, and guard it by appropriate form of treaty.

. . . The result will be a general advantage, because all the Money in the world, and all the product of the Silver Mines, as well as of the Gold mines, are then utilized, and thus the most favorite conditions are offered for the replacement of Paper Money by Specie."

To this argument I wish to make an addition.

So far as I am informed, the argument contained in the following paper has never been set forth.

"To make the point clear, I must ask the reader to consider the subtle forces and motives which go to produce the efficiency of money. Every one knows that, to a great extent, business is done by simple debiting and crediting, by means of accounts, checks, notes, and bills, etc., made, from paying a money debt with a horse, to the compensations of the clearing-house. Now, it requires the presence of a considerable amount of "cash" in a country to make all this balancing of debit and credit safe. If the cash be not equal to the work there comes a break in the running of the machinery, small or large. Compared with the total of exchanges, the amount of cash required is, of course, very small. But that small amount is indispensable, for daily personal receipts and expenditures of every kind, and for deposits, and for the settlement of balances, domestic and international.

"For the sake of the argument, let us suppose at this time that one-tenth of one per cent. is the actual percentage of cash to the total of exchanges for a given period. The ratio of ten thousand to ten represents the "total efficiency of money" for that period. On the average, then, one dollar of money makes a thousand dollars of exchanges within a certain time. Of course we are supposed to strike a general average for all dollars. This dollar or that dollar may be quiet in the vaults of a bank, but as a basis of credit, it may still have played its part by its substitute. Other dollars again are hoarded, or used, perhaps, but once a year; but they fall in with the mass to make up the average.

"We turn now to consider the situation to be brought about by the Bimetallic Union. The legal tender paper now in the country, with the legal tender coin (with proper allowance for subsidiary and token currency with limited legal tender), forms the basis of the exchanges now made. To this extent paper money is "money." To replace greenbacks with coin is to draw from the existing metal of the world (slowly augmented, as it is, by the annual product of the mines), some three hundred millions in addition to the gold and silver now in the country. It may be assumed, then, that we require in round numbers five per cent. of the total metal now used as money in the world, and a percentage somewhat smaller of the existing legal tender, including paper uncovered with metal. Evidently, then, the United States, canceling legal tenders and borrowing metal to put in their place, to that extent "contracts" the stock of money in the world; narrows the basis upon which the exchanges of the world are built up. If we "contract," the whole world must in time suffer its

part in the "contraction." What this may mean is suggested by the his- of resumption in England.

"The reader will observe that the fact that this country produces from its mines annually so much silver and gold does not affect the question materially. All the markets of the world bid for metals at the mines. There is no such thing as preventing the exportation of specie by law. That scheme was abandoned generations ago. Human nature, or, in other words, "the law of supply and demand," the irresistable desire of man to buy cheap and sell dear, will take care that men will buy specie where it is cheap and sell it where it is dear. This does not mean equalization of interest—that is another matter (although the Bi-metallic Union might in time have something to say about that); but specie is cheap where average prices are high, and dear where average prices are low. The tendency, then, under the gravitation of man's self-interest, is that specie should flow from the countries of high prices to the countries of low prices. Hence, to get specie into this country as money, and to keep specie in circulation here as money, we must at least come down to the level of prices of the rest of the world, making allowance, of course, for local causes of variation."

"The reader is now, I hope, prepared to see that while replacing greenbacks with gold is "contraction" to a certain degree, yet replacing greenbacks with silver is also "contraction," although in a different degree. He will also see that replacing greenbacks with silver and gold, will take the same total percentage from the world's stock of money, and so may cause its degree of "contraction." Now, to the point to which I wish to call your attention.

Suppose that at the time of our resumption, at the time we are withdrawing this five per cent. of existing legal tender from world's stock, *we arrange that that stock shall go four or five per cent. further in doing business.* Evidently, if we can do this, the "contraction" will, properly speaking, not take place; the world may go on "doing business" at the scale of average prices, of appraisements of valuations as before. And if the scale of valuations is not affected there is no contraction, as contraction is generally understood. Business will go on, debts will remain what they were, just as if no contraction were taking place.

In a word while there is a contraction *of Money*, there is no contraction *of Currency*, in the wider sense of the latter word.

Now, the position which I assume is, that the Bi-metallic Union will tend to do this very thing. It will increase the efficiency of money to such an extent as to make our replacement of greenbacks with coin a "success," for it will mean a return to honest money without a further serious shrinkage of values with its attendants. The reflection is obvious, that if the Bi-metallic Union can do this and this is once understood by congressmen and by the people, the popular success of the cause of Bi-

metallic Union is assured. No great ingenuity is required to put the idea in simple or attractive form.

If this view be correct, the Bi-metallic Union presents in one sense a gain of hundreds of millions of specie to the world; the world is as much "better off" as if, with matters remaining as they were before 1873, the annual production of the mines were doubled for a few years, just in time to enable the United States to resume specie payment without embarrassment. To speak in a most popular phrase, the Bi-metallic Union is for the interests of this country a "bonanza of bonanzas."

Upon consideration it will be seen that there are two ways in which the establishment of bi-metallism will act. These two ways are worth distinguishing.

1st. It will establish in permanence a par of the two metals.

2d. It will enlarge the area in which either Gold or Silver is used as money.

To make the first point clear, let us take two periods in the history of the par value of Gold and Silver and compare them with the new situation which we are considering. From 1800 to 1871 the commercial par (or what is miscalled the "price" of the metals each measured in terms of the other) ranged, roughly speaking, from 1.15 to 1.16. In the markets of the world there was about that degree of variation in that time in the relative position of the two metals. But between the years 1871 and 1877 the total oscillation extended to the space between 1.15½ to 1.18½. Now the effect of the Bi-metallic Union [at 15½] will be to keep the actual exchanges of money-metal within a narrow range of extreme variation, say 1.15⅓ and 1.15⅔. Even the premium which has hitherto been repeatedly paid for change is not likely, under the new order of things which I have supposed, to be paid for either metal as Legal Tender.

It is well known that a premium has sometimes been paid, or again a discount charged, for fractional currency. It is, of course, plain enough that any one who owes a thousand laborers one dollar each will probably be glad to give a premium rather than fail to get one dollar-bills, and an instance of discount would be equally natural. Hence we may admit slight variations without prejudice to the bi-metallic theory. The great mass of the metals remains undisturbed by such ripples. Such slight variations do not justify the reproach that the bi-metallic standard is really a "double" or "optional" or "alternative" standard. A premium on the one-dollar or one-pound notes would not justify such a reproach against greenbacks or notes of the Bank of England.

Of course, such oscillations of the ratio of the two constituent parts of the bi-metallic money would occur at any rate only so far as certain "gold rooms" or "silver rooms" and offices of bullion dealers are concerned, and then only within the limits of one-half of one per cent. on either side of 15½. In general, and notably in the countries which maintain the bi-metallic money so far as payments are concerned, either metal will be within reach, and always at 15½ to one. In the mass fifteen and one-half pounds of Silver will always be worth one pound of Gold. We

have, then, in connection with our first point, to compare this oscillation in the future between $15\frac{1}{3}$ and $15\frac{2}{3}$ with that between 15 and 16, which obtained before 1871, and also with that between $15\frac{1}{2}$ and $18\frac{1}{2}$, which occurred between 1871 and 1877.

We see at once, then, that the par which in the first seventy years of the country oscillated 6 per cent., and in the last few years has oscillated 20 per cent., will only oscillate one per cent. upon the establishment of the Bi-metallic Union. . . . Leaving this matter for a moment we come to the second point of difference between the state of things in the Bi-metallic Union and that which we have now. In enlarging the area in which either metal will serve as money, bi-metallism will serve as a unification of money. The unity of metal celebrated by the monometallist, Bamberger, once the champion, now the apologist, of German demonetization, will be attained substantially by the familiar unity of "twain made one."

For twenty years the civilized world has been aiming at monetary union, now with this plan of unification, now with that. Most of these plans were impracticable for lack of Gold. . . . And impracticable they remain, at least until a new Ophir be discovered, or the streams of Midian or Nilus's fountains shall come to roll down golden sands. In the meantime here is unification that is practicable, and substantially will satisfy the desires which have agitated reformers for twenty years. In the Bi-metallic Union what is the money-metal in one country is the money-metal in another. The railway company in India which owes a debt in England will know how many rupees of interest and how many rupees of principal it must pay now and in the future. The same will be true of the debtor in America and Europe, with the coinage which he knows at home.

What will be the result of these two so radical changes in the situation? The efficiency of existing money, all the world over, will be increased. Confidence, which is the "life of business," is also the great element of efficiency of money. We all know, if every one insisted on cash payments for everything, business would stop entirely; there would be a freezing up of exchange, the entire current of money would be congealed. But the new cause we are analyzing will exert an influence directly the opposite of this. It will send sap into the remotest fibers of the tree of confidence. The Bi-metallic Union tells the man who has Silver, or the man who has Gold, that Silver will be worth as much as Gold, and that Gold will be worth as much as Silver five years hence as it is now.

The Bi-metallic Union tells A. in any country, that what he owes B. in another country is and will be in the future simply so and so much in the weight of the metal that A. earns by his daily work at home. Reflect what a change this is! Consider what an effect it must have upon confidence, and hence upon the efficiency of money! Let us analyze these results! Let us remember.

First. That a great part of the specie of the world is occupied in effecting exchanges of one kind of money for another kind of money. The

stock of metal held and the continual moving of the metals mean more than paying international and domestic balances, more than merely rectifying the deficiencies of the credit compensation of "exchange." It means an absorption of vast capital in exchanges, which the unification of money and the fixing of the par would tend to restrict, if not abolish.

Secondly. Another part of specie is kept hoarded because of the uncertainties of the future.

Thirdly. Another part is used for exchanges which could be effected by mere compensations, by balancing debt against credit, and accepting promise for performance, in one way or another, if only the people felt sufficient confidence.

Upon the establishment of the Bi-metallic Union, money thus held hampered in its efficiency as a basis of legitimate credit exchanges, and money thus held in performing exchanges now become useless, would be set free for other uses. A transmutation of forces occurs. A portion of existing money passes from activity in the material, to activity in the incorporeal function of money. A portion of the former energy of existing money, as a means of transporting value in space, as a means of preserving value in time, as a means of payment of obligations, is now transmuted into its ethereal energy as a measure of valuation. And to the extent to which this transmutation occurs, a portion of existing money is set free to meet and satisfy a new demand.

Let us translate this increase, then, of the efficiency of money, into arithmetical shape. Accuracy we can not, of course, pretend to, but it will serve to clear up the matter to put it into figures. We took it for granted earlier in this paper that the present ratio of the efficiency of money is 10,000 to 10. This, when the monetary map of the earth is a patchwork of metals and of legal ratios between the metals, of full weight coins and token coins, of metal that is and metal that is not freely coinable into legal tender, and of paper money of every character and of every rate of discount; and this, also, within a year of the most violent perturbation in the market ratio of the metals known to man!

Our supposition is that a radical change is to take place in this situation—a unification of money, and the fixing of the oscillations of the commercial ratio of the money metals within a limit of one per cent. What will be, under these circumstances, the new ratio of efficiency of money? With this radical change, we may, for the sake of clearness, assume that the ratio of money to exchanges diminishes by one tenth.

The ratio stands hereafter, we will say, either at 11,000 to 10, or at 10,000 to 9—11,000 of exchanges to 10 of money, or 10,000 of exchanges to 9 of money. Exchanges may stand 11,000, then, if the amount of money in existence remains intact, or exchanges may stand 10,000 if one-tenth of the money has been taken away, canceled, or lost. In one case if the exchanges are not forthcoming, or in the other case when a stock of money has not been diminished, it is evident that a rise of prices will tend to equalize the counter-movements by absorbing the excess of money.

So we see that the effect of the establishment of the Bi-metallic Union may be assumed to be as follows: "If the world's stock of money remains the same (or, what is the same thing, if it increases by the product of the mines in the future at the same rate as in the past), there comes either an expansion of exchanges, or a general and permanent rise of prices, appraisements of valuations, or both together in limited degree.

On the other hand, if the world's stock of money be diminished in exactly the proportion in which the efficiency of existing money is increased, we may assume the actual alteration *positively* produced by the union to be zero, as far as our present figures are concerned. *Negatively*, the union would have been potent on preventing contraction of "currency," or of exchanges.

And now, after this wearisome survey, let us stop and map out the ground we have measured. What is it the United States is about to do? Its honor, its future prosperity, are engaged in destroying a part of the basis of exchanges, a part of the world's stock of money. It has used a paper legal tender—a false, unsteady basis—for its exchanges, and has in this way injured its prosperity and deceived its people. It proposes to cancel this paper, to pay the debt, and tear up the note, and cease to use paper as lawful money henceforth. Apply this to our figures! The world's stock of money is represented by the figure 10. By canceling greenbacks it is to be reduced four or five per cent. Reduce it five per cent. and you have 9½ as the stock after the greenbacks are canceled. But we have assumed the ratio of the new and augmented efficiency of money to be about 11,000 to 10. What, then, is the total of exchanges under the state of affairs to be brought about by the Bi-metallic Union? If the new rate of the efficiency of money be 10,000 to 9, as we have supposed, this would give in practice about 10,500 of exchanges on a basis of 9½ of money. If the views be correct upon which this illustration is based, we see, in spite of resumption, then a notable increase of possible exchanges. But with this possibility of an increase of exchanges may also be implied a rise of prices. If we ask of science what is meant by these phenomena occurring on a sound basis of money, secure against reaction, we shall learn it means a season of securely based prosperity for the world; it means the reverse of what the world has witnessed since it entered its career of demonetization in 1873.

C.

[Of the above named paper, entirely controversial in its origin, I append merely the following brief extract, in order to state more fully points suggested in the text:]

THE DOLLAR OF THE FATHERS. (See page 22.)

And now where does the "dollar of the fathers" stand with reference to the bi-metallic plan?

There is a homely phrase which expresses the point very clearly to the Western mind.

The cry for the silver dollar AT THE RATIO OF 16, is like "digging for ground-hogs when there are deer within rifle shot."

Will the restoration of free coinage of the old dollar at 16 make Silver universal money? No; on the contrary it bids fair to be a strong obstacle to the return of Silver to its proper place.

Will it establish the double standard? No!

In all human probability it will end in giving us a currency of Silver and greenbacks which we hope will be at par, and of Gold at a premium over both.

I have said we are free to do what is best for the interests of the people. I say this without ignoring the option of payment in Silver or Gold which obtained before 1873. But "circumstances alter cases."

Coining the dollar at 16 freely WILL NOT RESTORE THE STATUS QUO of 1873, nor of the fathers, any more than you can make two horses pull a wagon by putting one of them in the traces.

If you expect the car of our prosperity to move under the guidance of "both the shining coursers of exchange," you must harness them both. And now, in order to harness them both, you must mend the harness. For the harness has been broken by demonetization and limitation of coinage in countries that carry three times the amount of specie that we hope to acquire. If this be true, the silver dollar that restores silver to its place in the world's exchanges is the true "Dollar of the Fathers." The advocates of the dollar at 16 have, therefore, no more claim to the name of Bi-metallists than the advocates of gold and tokens have. Each of these ask for one dollar of the fathers. If they succeed our prosperity will be what is popularly called a "one-horse" affair. The Bi-metallists show how two dollars of the fathers can not only be got but can be kept, with the additional advantage that these two dollars will be more "honest" than the silver alone or the gold alone. For the one really means "greenbacks and silver," while the other means "greenbacks and gold."

THE POSITION OF ENGLAND. (See page 31.)

But how is it about England? In brief there are two things about England which the worshipers of the gold sovereign are wont to ignore.

One is *India*, and the other is that the Bank of England has a right to issue a part of its notes on a deposit of *silver* bullion as well as of gold.

Suppose that the sovereigns are made legal tender in India, or that the right and duty to issue notes on silver are enlarged.

English economists exclaim against the idea. They prefer to abandon the very sacredest of monetary principles on our behalf, and consign us, of all things in the world, to an over-issue of silver tokens. What would they say if one should recommend for England an issue of two hundred millions of crowns of underweight debased silver? "It would never do for England, but it is good enough for you." Does not the renouncement and abandonment of principle show only too clearly that these gentlemen are aware of the fact that the English sovereign is in danger?

Differing thus in scope, both from the Special Reports of the various Monetary Commissions (Swedish, Belgian, French, English, etc.), and from didactic Treatises or controversial Essays, to those who do not read such works, this book may serve in their place; while to those who do read them, it may serve as a guide and commentary.

Presented (in November, 1876) to the Monetary Commission of Congress, as a printed deposition upon the chief questions of which it was hoped the Commission would present an unanimous solution, its interest is enhanced by the manifold discord of opinions subsequently embodied in the Report of that Commission.

After an outline of the state of controversy, full statements are given from the best authorities as to the amount on hand, production, consumption, and distribution of the precious metals.

The armament of the Battle of the Standards is then reviewed, in the form of points of a brief, for both Plaintiff and Defendant, in the great causes of Gold *vs.* Silver, the Single *vs.* the Double Standard, etc.

A chapter is then devoted to the ultimate tests, and to plans suggested for correcting the fluctuations, of the value of Metallic Money, and for avoiding the establishment of any material Standard.

After a statement of the situation in the United States, follows an analysis of the Moral Questions involved in the choice of methods of Resumption—the duty of the Government to the public creditor, and its duty to the people. In this connection, an original analysis and classification is given of the Functions of Money.

With this foundation, the work approaches the great Monetary Movement of the time toward the adoption of the Single Gold Standard, with an examination of its inception as an outcome of the Legislation of England in the period of Restriction and Resumption of Specie Payment (1797–1821).

The chapter devoted to the Example of England is worthy of thoughtful study. It is a condensation of facts and arguments of peculiar interest, attainable, so far as we know, in no other form: presenting, indeed, some historical facts of great moment which hitherto have been ignored in the Literature of Money.

The prevailing arguments for the Single Gold Standard are then exhaustively analyzed in the light of facts and of the Theory of Money.

The past and future of Monetary Treaties are then discussed, and the distinction drawn between Treaties for mutual currency of certain coins and Treaties, the effect of which is to prevent fluctuations of the ratio of Gold and Silver. To make a full presentation of this subject, the writer analyzes the opposing arguments of Dr. Bamberger, a leading champion of Demonetization in the German Parliament.

A chapter on the "Conditions of Successful Resumption" sums up the various practical conclusions which the writer conceives to have been established.

In the Appendix follows a series of analytical discussions of a number of questions which demand detailed and separate consideration; and a list is given, for the convenience of the student, of the most notable works upon Silver and Gold in the literature of the different nations.

CRITICAL NOTICES.

[*From the Chicago Tribune.*]

"One of the most comprehensive and acute discussions of this subject to be found anywhere."

[*From the North American Review.*—An Article on "Currency Quacks and the Silver Bill."

"It is safer to cite only from the small minority of the economists, namely from the most active and impassioned of European Bi-metallists, Henri Cernuschi, and the most acute and learned of them all, S. Dana Horton, of Ohio."

[*From the Same.*—An Article on "The Silver Question."]

. . . "A monument of usefulness. A few extracts from this young but eminent writer on the subject will show how correct and far-seeing a thinker he is. . . . His opinion is worthy of the highest consideration."

[*From the Sacramento Daily Union.*]

"In a modest volume of 196 pages, Mr. Horton has condensed the most closely reasoned treatise on the currency question that has been published in this country. . . . He brings to the task a prodigality of instances and a lucidity of statement, alike valuable and captivating.

"As at once a hand-book of the question, and a safe guide through the labyrinth of conflicting opinions and warring schools, it certainly has no equal at the present time."

[*From* "Bi-metallism and the Money Question in the United States." *By Professor Erwin Nasse, of Bonn.*]

[Beside Wolowski and Cernuschi] "we specially mention, in addition to Ernest Seyd—who is well known in Germany—the Belgian, De Laveleye, and the American, Dana Horton. Their views have passed into the Report of the Majority of the Parliamentary Commission which the Congress of the United States appointed, August 15, 1876, for the investigation of the Question of the Standards.

[*From the National Quarterly Review.*]

. . . an important contribution to the subject, and particularly apropos in the present agitated condition of the legislative and commercial mind; and we hope the volume will be widely read, to the end that proper legislation on the subject may be sustained by an educated public opinion.'

[*From Harper's Magazine.*]

"He . . . disposes of some current and popular heresies, sometimes in a single paragraph, or even in a single trenchant sentence."

[*From the Cincinnati Gazette.*]

"The volume, in short, deserves the attention and respect of all interested in economical topics, however much they may differ in opinion from the author."

[*From the Boston Advertiser.*]

"It is an argument in outline, unadorned and little filled in with detail, but vigorous and strong. . . . The work is a mine of information for all, on both sides of the controversy.

[*From the London Saturday Review.*]

"To those who are interested in the question, whether in its abstract or its immediate bearings, the treatise is well-worth attentive perusal."

"On the whole his views are sound, both in policy and morality."

[*From the New York Evening Post.*]

"An essay upon the subject of money by an earnest and thoughtful investigator."

[*From the Bankers' Magazine.*]

"The book may be expected to be read, with equal interest, by men of very opposite opinions on the mono-metallic controversy.

[*From the Westminister Review, London.*]

"A work of considerable general interest and a contribution of value to the discussion of the subject in its largest aspects. . . . . The book is an extremely interesting one from every point of view."

[*From the London Economist.*—A Letter on "The Silver Question," by "N."

"I dissent from the arguments and illustrations of the very able and remarkable book of Mr. Dana Horton."

[*From the Independent.*]

"He reasons very closely, and is clearly an original student of the subject, and one who does not content himself with following in beaten paths."

[*From the New York Nation.*]

"This is a thoroughly scientific discussion of the silver question, and one which will possess a lasting value after the immediate issue in hand shall have passed away."

[*From a Paper on* "The Silver Question," *by Prof. W. Stanley Jevons.*]

"But even taking these returns, Mr. S. Dana Horton, in his ingenious work on 'Silver and Gold' comes to the conclusion, etc., etc."

[*From the Nationalœkonomisk Tiddskrift, of Copenhagen.*]

"The author, who seems to be thoroughly informed, also, in the literature of foreign countries, particularly in English, French, and German, gives, first, a thorough statistical statement of monetary conditions; thereupon analyzes the various monetary systems and monetary theories; examines the subjects of coin and paper in England at the close of the last and at the commencement of this century; discusses the questions of monetary treaties, the unit of coinage, etc., etc."

[*From the Boston Evening Traveler.*]

"A remarkable work."

[*From the Chicago Post.*]

. . . "He has made an encyclopedia of opinion upon the subject of his book, and has ably stated and defended his own views."

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